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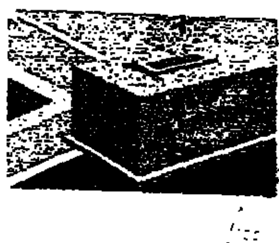

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# FINANCIAL TIMES

Europe's Business Newspaper — MONDAY APRIL 25 1994 — D8523A


## Hata seeks party pact to tackle urgent issues

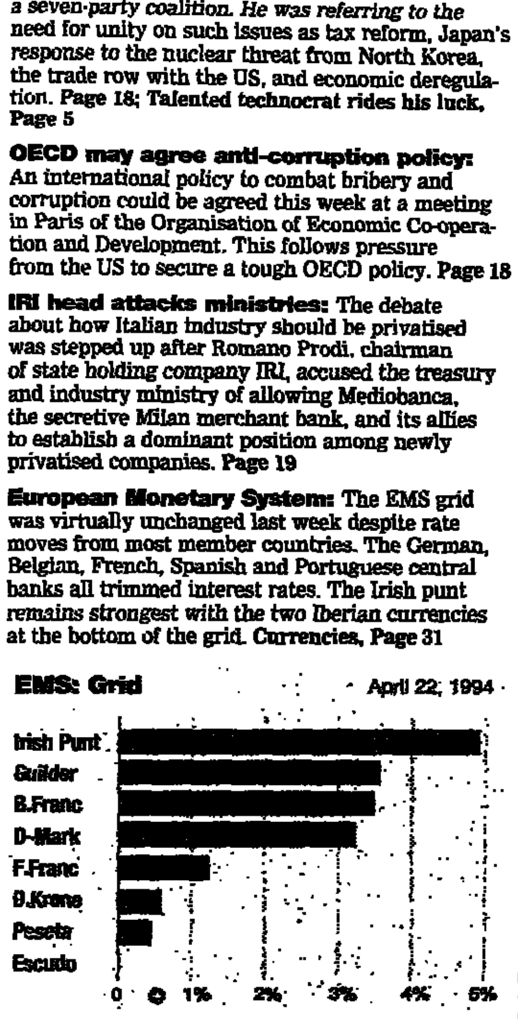
Tsutomu Hata, due to be elected Japan's prime minister in a parliamentary vote today, has called for a "grand union" of the country's political parties. "I doubt whether it is desirable to have many political parties involved, when urgent action is required," said Mr Hata, who will head a seven-party coalition. He was referring to the need for unity on such issues as tax reform, Japan's response to the nuclear threat from North Korea, the trade row with the US, and economic deregulation. Page 18; Talented technocrat rides his luck, Page 5

**OECD may agree anti-corruption policy:** An international policy to combat bribery and corruption could be agreed this week at a meeting in Paris of the Organisation of Economic Co-operation and Development. This follows pressure from the US to secure a tough OECD policy. Page 18

**IRI head attacks ministries:** The debate about how Italian industry should be privatised was stepped up after Romano Prodi, chairman of state holding company IRI, accused the treasury and industry ministry of allowing Mediobanca, the secretive Milan merchant bank, and its allies to establish a dominant position among newly privatised companies. Page 19

**European Monetary System:** The EMS grid was virtually unchanged last week despite rate moves from most member countries. The German, Belgian, French, Spanish and Portuguese central banks all trimmed interest rates. The Irish punt remains strongest with the two Iberian currencies at the bottom of the grid. Currencies, Page 31

**EMS: Grid** April 22, 1994




*The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.*

**Microsoft,** the world's largest computer software company, which is under investigation by the the US Justice Department's anti-trust division, is attempting to blunt new industry charges that it tried to limit the competitive activities of other software developers. Page 6; Unisys steady, Page 21

**Volkswagen,** Europe's biggest vehicle maker, is to use Mercedes-Benz technology for the development of a new range of light commercial vehicles. Page 19; Mercedes in talks on bus group, Page 21

**Hopes for Mideast self-rule deal:** Israel and the Palestinian Liberation Organisation hope to complete talks this week in Cairo before signing an agreement on Palestinian self-rule in the Gaza Strip and Jericho. Page 6

**Rwanda talks collapse:** Plans for peace talks to end civil war and tribal slaughter in Rwanda collapsed with a rebel leader refusing to negotiate and a government delegation failing to arrive. Page 6

**Vodka state monopoly restored:** Russian prime minister Victor Chernomyrdin has issued orders designed to "restore a state monopoly" on vodka and other spirits after reports of an increasing number of cases of poisoning from spirits distilled without licence. Page 2

**$16bn Lloyd's gap feared:** Lloyd's of London could have a shortfall of at least £11bn ($16bn) in its reserves set aside for future US asbestosis and pollution claims, a report to be published today says. Page 8

**Jewish graves damaged:** Twenty-six headstones at a Jewish cemetery in the village of Struth near Strasbourg, in northeast France, have been knocked over or broken up.

**Third Turkish bank ceases trading:** Turkish authorities ordered the Turkish Import and Export Bank to stop trading. The closure, the third in the country in two weeks, follows a run on deposits by customers.

**BCCI case verdicts in June:** Verdicts are to be delivered on June 14 by a court in Abu Dhabi in the trial of 13 former Bank of Credit and Commerce International officials in the biggest case to stem from the bank's collapse. Charges include dissipating funds, forging documents, concealing deficits and losses and approving false loans.

**Rush to beat China goods curb:** The European Union imposition of import quotas is expected to lead to a last-minute scramble among traders for licences to bring in the goods. Page 18; Safety clothing shortage, Page 8

**Bus blaze kills 31:** At least 31 people died and 27 others were injured when a bus burst into flames because of an engine defect near Galashki in the Russian Caucasus.

**Philby mementoes for sale:** Rufina Philby, widow of British master-spy Kim Philby, is to auction his books, mementoes and homburg hat. The July 18 sale at Sotheby's is expected to raise £100,000 ($146,000).

## Mandela appeals for focus on election after attack near ANC offices

# Johannesburg bomb kills nine

**By Patti Waldmeir in Durban, Mark Suzman and Michael Holman in Johannesburg**

South Africa's election campaign ended on an ominous note yesterday when a powerful bomb in Johannesburg killed nine people, injured at least 92 others and cast a shadow of violence over voting which begins tomorrow.

ANC leader Mr Nelson Mandela acted quickly to try to defuse the threat of revenge for the attack near the offices of the African National Congress and Pan Africanist Congress. The blast killed one ANC election candidate and damaged the organisation's offices.

In a statesmanlike speech, which included a string of overtures to the white community, Mr Mandela appealed to his supporters to concentrate on the importance of tomorrow's elections to end nearly 350 years of white domination, and not on the killings in Johannesburg.

"Leave the task of maintaining law and order to the security forces," he pleaded with a crowd of more than 100,000 supporters at his last campaign rally in the Natal city of Durban.

President F.W. de Klerk, in a warning to the white far-right, condemned the attack and said it would not stop the country's first all-race elections. "There is no possibility that radical minorities will be allowed to frustrate the will of the vast majority of the South African people."

However, Chief Mangosuthu Buthelezi of the mainly Zulu Inkatha Freedom party, closing his campaign, warned that the blast was more evidence that the elections would be unfair. "This is just another thing to point out there will not be free and fair elections in South Africa."

Police and bomb disposal experts sifting through the mess of blood, glass and rubble said it was too early to say who staged the attack. But the location and the nature of the explosion suggested it was the work of the white right-wing, making a desperate last stand for apartheid and delivering a warning of the ferocity of their resistance to a non-white government.

The bomb, estimated at between 80kg and 90kg of explosives, was the biggest in South Africa since an ANC bomb in Pretoria killed 17 people in 1983. If planted by white extremists, it marked a significant escalation of their violent opposition to political change. Hardline whites have set off several explosions in the past, mainly targeting small ANC rural offices, railway lines and electricity pylons.

Mr Mandela said the elections would usher in "a new era of hope, justice, democracy and national reconciliation". His supporters were perched in trees and clung to scaffolding several storeys high, in an attempt to catch a glimpse of their leader.

Since the hardline whites were humiliated last month in the black homeland of Bophuthatswana, where they had gone to try to restore ousted President Lucas Mangope to power, the right has been curiously silent, raising hopes that it would not pose a serious threat to elections.

In an attempt to placate the right, the ANC on Saturday


Continued on Page 18
Special report, Page 4; Affirmative action in the air, Page 10; Bonds, Page 24


Downtown Johannesburg after the bomb blast. President F. W. de Klerk said it would not stop the country's first all-race poll Picture: AP

# Bosnia talks resume as Serbs move weapons

**By George Graham in Washington, Laura Silber in Belgrade and Bruce Clark in London**

Talks on reviving peace efforts in Bosnia will be held today between the US, Britain, France and Russia in London following the Serbs' removal of weapons from the centre of Gorazde under threat of massive air strikes.

General Sir Michael Rose, United Nations commander in Bosnia, said yesterday the Serbs had pulled their heavy armour out of a 3km exclusion zone, bringing some relief to the besieged town.

The Serbs, defying a torrent of international condemnation, have established a stranglehold on Gorazde in an offensive that began at the end of last month. More than 700 people have died in the 65,000-strong enclave, one of six so-called safe havens in Bosnia which the UN has pledged to protect.

Gen Rose said the Serbs were also beginning to move equipment out of a broader 20km zone, which Nato has told them to evacuate by Tuesday night.

Nato and UN officials also claimed to have patched up a row that flared on Saturday after the UN turned down a proposal from the alliance to launch an air attack against the Serbs.

Yesterday's lull in the attacks enabled a UN operation to evacuate the wounded to start. UK and French helicopters began transporting more than 600 seriously injured people from Gorazde to Sarajevo.

Mr Warren Christopher, the US secretary of state, said Nato demands for an end to shelling in Gorazde and a partial withdrawal of Serb forces had apparently been heeded.

He said Gorazde had seen only small arms fire yesterday. "The withdrawal was somewhat spotty, but my latest reports from the scene are that the withdrawal is taking place," he said in a television interview.

Mr Christopher is due in London today for talks with Mr Douglas Hurd, the UK foreign secretary, and Mr Alain Juppe, foreign minister of France. Mr Vitaly Churkin, the chief Russian negotiator on former Yugoslavia, is expected to meet senior British diplomats separately.

Mr Haris Silajdzic, Bosnian prime minister, said Gorazde was still a scene of fighting, as Bosnian radio reported artillery and sniper attacks.

In Zagreb, Mr Yasushi Akashi, the senior UN official in former Yugoslavia, said the organisation's observers could no longer see any heavy weapons inside the exclusion belt around Gorazde.

Establishing the zone was one of the main demands set out by Nato last week when it threatened to escalate the use of air power against the Serbs. US officials confirmed they had backed Nato's request – turned down by the UN – to begin air strikes on Saturday when the Serbs failed to stop shelling. They said they had since made progress in winning the UN over to supporting the use of air power.


Nato tries to play down Serbia row, Page 3


# G7 warns Russia to keep economy on a tight rein

**By Peter Norman, Economics Editor, in Washington**

Russia was yesterday given a clear warning from the world's leading industrial nations that it must put into effect tough economic decisions following last week's approval of a $1.5bn credit from the International Monetary Fund.

At a meeting with finance ministers and central bank governors from the Group of Seven leading industrial countries, Russian officials were told they must deliver on their promises to reduce the budget deficit to 6.5 per cent of gross domestic product this year from 8 per cent in 1993 and reduce the expansion of credit by the monetary authorities.

"We must now have a decisive implementation of budget and monetary policies" by Russia, Mr Theo Waigel, the German finance minister, said. According to UK officials, the message was echoed by Mr Kenneth Clarke, the UK chancellor, who said the Russians must keep up reform to obtain more assistance.

The G7 discussed the prospect of Russia obtaining debt relief on obligations falling due this year from western creditor countries in the Paris Club. According to Mr Waigel, the Paris Club has offered to continue its 1993 debt rescheduling agreement until a 1994 deal has been agreed. Russia is also expected to begin negotiations with the IMF on a stand-by credit facility that could total $4bn once it has produced first details of its 1995 autumn budget.

The G7 also considered the IMF's repeated demands for an allocation of special drawing rights, the IMF's own reserve asset, to boost its members' reserves. Although ministers recognised that something ought to be done to help 37 IMF members, including Russia, which have joined in recent years and have no SDRs, Germany and the US insisted that there was no reason for a general SDR allocation.

The talks between the Russian delegation, headed by Mr Alexander Shokhin, deputy prime minister, and the ministers and central bankers of the US, Japan, Germany, France, Britain, Italy and Canada, took place against a background of increased optimism about world economic prospects.

The G7 meeting endorsed the IMF's view that the world economy has now overcome the recession of the early 1990s and is heading for faster growth. The ministers noted that a lessening of tension between the Russian parliament and government had improved reform prospects.

Mr Waigel disclosed he had bet Mr Michel Camdessus, IMF managing director, that German growth this year would be near 1.5 per cent rather than the 0.9 per cent forecast by the IMF.


Sentiment grows for SDR hike, Page 6


# Massey may be sold to US group for $330m

**By Andrew Baxter in London**

Massey Ferguson, one of the most famous names in the world tractor industry, is close to being sold by Varity, its US parent, for about $330m.

The buyer, in a deal that could be announced in the next few days, is believed to be Agco, a company based in Atlanta, Georgia, that over the past three years has been expanding fast in the US through acquisitions of farm equipment companies.

The expected deal would thwart a rival $350m offer from a European-led group to acquire Massey Ferguson, which employs more than 3,500 people and has factories at Coventry in the UK and Beauvais in France.

According to an article this week in Stark's News Service, a Chicago newsletter, Varity has obtained a cash offer of $350m from the European group, in which Mr John Sword, former chief executive of Massey, is said to be a leading participant. The article says Agco's $330m offer is a mixture of cash and notes – stocks.

It is understood Agco's offer – though lower – may be accepted because of its strong relationship with Varity. Mr Sword, who left Massey last summer, would not comment yesterday.

In November 1992, Agco paid Varity $110m for Massey's North American distribution business and 50 per cent of its Agricredit financing business, and early this year paid another $23m for the remainder of Agricredit.

No comment was available from Agco, and Varity said: "Typically we do not comment on these type of stories." It added, however, that Mr Victor Rice, Varity's chairman and chief executive, had made no secret of the fact that a sale of the rest of Massey would be considered if an opportunity arose.

The sale of Massey would start a new chapter in the story of a company that in the early 1980s became synonymous with financial crisis and industrial blight.

In 1984, after heavy rationalisation and two financial recon-


Continued on Page 18

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|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Lux | LFr65 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh15 | Singapore | S$4.30 |
| Bulgaria | Lw25.00 | Iceland | IKr215 | Neth | Fl 4.00 | Slovak Rp | NSL50 |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira50 | South Africa | R12.00 |
| Czech Rp | CZK50 | Israel | Shk6.90 | Norway | NKr17.00 | Spain | Pta225 |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr16 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 |
| Finland | FM14 | Jordan | JD1.50 | Philippines | Peso50 | Syria | S£50.00 |
| France | FFr9.00 | Kuwait | Fils625 | Poland | Zl 32,000 | Tunisia | Din1.500 |
| Germany | DM3.50 | Lebanon | US$1.50 | Portugal | Es225 | Turkey | L13000 |
| | | | | | | UAE | Dh12.00 |

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No 32,350 Week No 17 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

# Threat of power cuts hangs over Poles

By Christopher Bobinski in Warsaw

Poland faces the prospect of widespread power cuts today as a result of strikes by miners in four opencast lignite mines, affecting one-third of the country's generating capacity.

The strike, which started last Thursday, comes amid a national campaign by the Solidarity trade union to have state sector wage controls replaced with a system of collective bargaining. The union also wants assurances from the government over policies designed to boost real wages this year to reverse the income falls of the past four years.

The challenge to the left-of-centre government follows last week's agreement between the Left Democratic Alliance (SLD), a senior coalition partner, and President Lech Walesa to work together to find a candidate for the vacant post of finance minister. Mr Walesa had vetoed Mr Dariusz Rosati, the SLD's candidate, while the coalition responded by moving to limit the president's veto powers in a threat which has since been dropped.

The 36,000 workers at the four mines which supply lignite directly to the power stations at Belchatow, Konin, Adamow and Turow are demanding that the government drop restructuring plans which could lead to 30 per cent job cuts in the industry.

At the weekend Mr Waldemar Pawlak, the prime minister, sacked Mr Eugeniusz Morawski, the deputy minister responsible for mining and the power sector and the government pledged to suspend the restructuring plans. However, Solidarity's national leadership which saw patchy support for the first phase of its national protest campaign, has decided to use the miners' action to step up pressure on the government.

The strike comes as parliament passed a new wage control law on Friday which Solidarity has bitterly opposed.

● The Democratic Union (UD) led by former prime minister Mr Tadeusz Mazowiecki and the Liberal Democratic Congress (KLD), a free market grouping, merged to form the Freedom Union, a pro-market reform party.

Belarus bank chief distances himself from economic pact with Russia

# CIS bankers fight shy of rouble zone

By John Lloyd in Chicago

Central bankers from the most important countries in the Commonwealth of Independent States agreed at the weekend that the close economic union sought by Russia was not in their interest and would be impossible to realise.

The governor of the central bank for Belarus, Mr Stanislav Bogdankevich, dissociated himself from the treaty signed between Russian and Belarus two weeks ago aimed at creating an economic union so close as to deprive the smaller Slav state of any economic independence.

He said that the vote expected on the agreement in the Belarus parliament on Wednesday would not approve the deal, though he said the government might then put the issue out to a referendum.

Speaking to a conference on central banking in the former communist states, at Chicago Law School's Centre for the Study of Constitutionalism in eastern Europe, Mr Bogdankevich said: "Belarus will not benefit from tying itself into a common monetary and credit system with other republics and even with Russia.

"The levels of economic development and their individual specialisations differ greatly and they are solving their problems with incompatible methods."

In an interview, Mr Bogdankevich said that he had signed the agreement – a landmark treaty between two former Soviet states and one widely seen in Russia as a harbinger of similar pacts with other CIS states – with the reservation that it broke Belarus' constitution, a major reservation, as he agreed.

"I am sure that the vote on this agreement will not pass in the parliament," he said.

No representative of the Russian central bank attended the conference, but Mr Boris Fyodorov, the former deputy prime minister for finance and present leader of the reformist Liberal Democratic Union in the Russian parliament, said that the three-quarters majority

> The Belarus deal is seen in Russia as a model for other agreements

necessary to ratify the agreement in the parliament was also not available.

"Nobody can explain what Russia gains from this deal," he said.

Mr Fyodorov also claimed that the International Monetary Fund had not been informed about the agreement, which – because it changes the Belarus population's cash holdings in the Belarus coupon with the Russian rouble at the rate of one to one while the market exchange rate is 10 to 1 – will boost inflation in Russia at least in the short term. Questions were raised about this at the IMF board meeting last week which discussed the granting of a \$1.5bn (£1.02bn) loan to Russia, but the loan was approved in spite of the disquiet.

Senior officials from Ukraine and Kazakhstan, the other two republics closest to Russia both politically and in the sense of having large ethnic Russian populations, resolutely rejected a closer economic union with Russia, while acknowledging the need for an efficient and transparent payments union.

Mr Victor Yushchenko, the Ukrainian national bank chairman, said in an interview that "there is a political mood in Ukraine that everything was better five years ago and therefore we need to seek some sort of unity with Russia. It's Utopia – Russian interests are quite different from ours."

In his conference speech, Mr Yushchenko said that "we should not regret leaving the rouble zone – and it is not the issue of the day. Those politicians who want to join it merely want to continue receiving cheap raw materials and cheap credits."

Mr Grigory Marchenko, the deputy governor designate of the national bank of Kazakhstan, told the conference: "I believe the rouble zone is unworkable. For far too many people it is an evasion from the major task of creating a viable banking system and a payments system."

All of the central bankers and senior officials saw the

Bogdankevich, left, and Fyodorov: in agreement that closer economic union is of no value to either Belarus or Russia

provision of external financing by the international financial institutions as the main means of alleviating what is for many of them an increasingly desperate situation.

Mr Levon Barkhoudaryan, the finance minister of Armenia, who said the economy was largely dependent on Russia, nevertheless considered the main task of his central bank to be to strengthen the new Armenian currency – the dram.

He said: "Credits from the IMF and the World Bank will play a significant role in promoting the stabilisation of the economy and curtailing the balance of payments deficit."

In many cases the situation seen from the vantage point of the central bank or Finance Ministry is one on the verge of catastrophe.

Mr Roman Gotsiridze, who recently resigned as the deputy premier for the economy in Georgia, said that the Georgian coupon was now trading at 500,000 to the dollar – and that "we will face hunger this year, especially this winter. The economy has already collapsed."

Prof Jeffrey Sachs, the Harvard economics professor who until January had directed the Macroeconomic Finance Unit attached to the Russian Finance Ministry, told the ministers and the bank governors in an evangelical address that "to bring yourselves back into the rouble zone, to the Russian military-industrial complex is a disaster for you. Your future is not just with Russia, it is with the whole world."

# Chernomyrdin restores vodka state monopoly

By Leyla Boulton in Moscow

Mr Victor Chernomyrdin, Russia's prime minister, has issued a set of orders designed to "restore a state monopoly" on vodka and other spirits, first demanded by President Boris Yeltsin almost a year ago.

Itar-Tass news agency reported at the weekend that an order signed by Mr Chernomyrdin was aimed at "defending the state's economic interests and protecting the rights of consumers".

The Russian media have reported an increasing number of cases of poisoning from spirits – hence Mr Chernomyrdin's extension of a state monopoly to the industrial spirits used to manufacture lethal brews.

The prime minister set a 30-day deadline for the creation of a system of state licences needed to manufacture, bottle, store, and sell alcoholic drinks wholesale; a two-month deadline for setting the prices to be paid for such licences; and finally, a three-month deadline for the introduction of criminal penalties to punish offenders.

Well-established foreign brands, such as Sweden's Absolut, and Smirnoff of the US, will also have to comply with the rules which are described as "applicable to all types of property regardless of their ownership".

Mr Yeltsin's initial decree proclaiming the restoration of a state monopoly last June was followed by uproar except from domestic vodka producers who face stiff competition from better-marketed foreign brands.

Nothing was done to enforce it until this weekend.

Given the proliferation of unlicensed manufacturing and sales, as well as widespread corruption among police and officials, the latest measures are unlikely to be enforceable in the near future.

Even now most street traders – hawking new brands with names such as Rasputin and Terminator – buy fake certificates from private companies rather than face a byzantine state bureaucracy responsible for granting official trading permits.

A profitable state vodka monopoly which prevailed under the Tsars and then the country's communist rulers, collapsed when Russia introduced radical market reforms liberalising all manner of imports and commerce two years ago.

Renewed efforts to re-establish state controls over the industry come as the Russian government faces not just a public outcry over the poisoning cases, but protectionist pressures from its own producers, and a desperate shortfall of tax revenues.

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# Investment-starved companies offer lure of gold

By Leyla Boulton in Moscow and Ken Gooding in London

Promissory notes backed by gold held in London bank vaults are the latest instrument to appear on Russia's fast-growing and virtually unregulated securities market.

Mr Vyacheslav Pankin of the Moscow central stock exchange, where the notes will be listed, reckons that Rbs50bn-100bn (\$27m-\$54m) will be sold in a month's time in the first of several offerings to investors.

The fact that the notes will be partially backed by gold held by Rothschild's in London is the main attraction of the instrument, offered by a little-known commercial bank called Russian National Bank.

To Russia's investment-starved companies which cannot afford hard currency loans offered by Russian banks at interest rates of around 35 per cent a year, the notes offer a form of collateral to borrow money from western banks at much lower rates. Most western banks refuse to lend to Russian companies in the absence of guarantees they will be repaid.

The promissory notes have a maturity of one year. Offered in denominations of Rbs100,000, Rbs1m, Rbs5m and Rbs10m, the notes will carry an interest rate of around 300 per cent, designed to beat high Russian inflation and rouble depreciation.

"The only thing that surprises me about this plan is that nobody thought of it before," said Mr Pankin. Rothschild's is expected to use gold options to protect itself against fluctuations in the gold market.

Russian businessmen and economic reformers are displaying apparently limitless imagination in adjusting new capitalist tools to the particularities of Russian life, which include high inflation, political instability, and the public's lack of faith in the authorities. Mr Boris Nemtsov, the governor of the Nizhny-Novgorod region, said on Friday he had launched a "telephone loan" promising its purchasers a telephone in their home within six months.

The loan, to finance the development of a new telephone network, stipulates that every day of delay in installing investors' new phones will cost the local telephone company a 1 per cent fine.

Mr Nemtsov is now planning a housing loan to finance the construction of apartments in a country where millions of adults still live in hostels or communal apartments.

Long-term mortgages do not exist in Russia or anywhere else in the former Soviet Union.

Nizhny-Novgorod, often seen as Russia's laboratory for economic reform, is soon expected to launch a second regional bond to raise \$55m following a successful first issue worth \$7m.

St Petersburg, Russia's second city, will be following Nizhny-Novgorod's example this summer, when it launches a municipal bond designed to help plug a big local budget deficit.

Russian citizens and banks hold surprisingly large reserves which they are willing to invest in new instruments, and the main danger to Russia's fast growing securities market is inadequate supervision to protect a credulous public from crooks.

While bogus companies, some of which have already disappeared, raise millions of dollars through dishonest but persistent television advertising, the authorities are still squabbling among themselves as to how the market should be policed.

Dispute with UN a 'communications mismatch'

# Nato tries to play down Serbia row

By Bruce Clark

The military command of Nato was scrambling yesterday to play down a row with the United Nations over air strikes against the Bosnian Serbs which has threatened to damage the credibility of both international organisations.

Nato officials attributed the dispute to a "communications mismatch" and similarly reassuring statements were issued by the office of Mr Yasushi Akashi, the special representative in former Yugoslavia of the UN Secretary-General, Mr Boutros Boutros Ghali.

However, neither side could conceal the fact that a heated telephone conversation took place on Saturday between Mr Akashi and Mr Manfred Wörner, the Nato Secretary-General, who was vainly seeking UN permission to begin air attacks.

Nato's initial request for permission to launch a bombing mission was issued by Admiral Leighton Smith, the commander of alliance forces in southern Europe. Mr Wörner intervened after the request was turned down.

Nato command, whose role in Bosnia is technically at the "invitation" of Mr Boutros Ghali, has made no secret of its determination to secure greater freedom of action in mounting air attacks.

Yet the wording of the UN resolutions on Bosnia, and the sensitivity of nations like Britain, France and Canada who have ground troops in Bosnia, have prevented Nato from being given unfettered control.

On Friday, Nato issued three separate warnings to the Bosnian Serbs. They were told to expect bombing raids if they failed to:

- cease fire immediately
- withdraw from a three-kilometre exclusion zone, and allow UN peace-keepers into Gorazde, by Saturday night
- withdraw from a 20km exclusion zone by Tuesday night.

Admiral Smith called for air strikes on Saturday morning because the Serbs had failed to comply with the first condition. Mr Akashi retorted that they were in the process of fulfilling the second condition and should be allowed to do so.

Personal relations between Mr Wörner and Mr Boutros Ghali were already understood to be poor, and the latest row will strain them further. It is believed that Mr Wörner resented the idea of Nato being cast in the role of merely carrying the instructions from UN headquarters in New York.

The row showed up the difficulties of using such a blunt instrument as air strikes in such a complex situation. These difficulties might well be more evident to UN commanders on the ground than to alliance commanders outside the country.

The first condition was especially difficult to enforce, given that it amounted to a virtual invitation to Gorazde's Moslem defenders to keep the fighting going.

The UN's prime concerns include the safety of its own personnel, both humanitarian and military. The Serbs responded to the limited air strikes of two weeks by taking over 100 UN staff hostage, and would retaliate even harder to the massive air attacks now threatened by Nato.

Russia has argued that air strikes would simply play into the hands of the "war party" led by General Ratko Mladic, the Bosnian Serb commander and mastermind of the siege of Gorazde.

# Berlusconi likely to need watchdog

By Andrew Hill in Milan

Italy may need an impartial watchdog to guard against conflicts between the political and business interests of Mr Silvio Berlusconi, the media magnate who should this week be chosen as the country's prime minister.

That was the strong message given to Mr Oscar Luigi Scalfaro, the Italian president, at the weekend by allies and opponents of Mr Berlusconi. It was echoed by the media magnate himself, who heads the right-wing Freedom Alliance which won last month's election.

After meeting Mr Scalfaro on Saturday, Mr Berlusconi said "at the moment of receiving the invitation [to be prime minister] or shortly afterwards" he would have ready a solution to the possible conflicts of interest. Mr Berlusconi's new party, Forza Italia, was established on the back of its leader's publicity and television interests and spearheaded the election victory.

Mr Scalfaro is likely to name Mr Berlusconi to form a new government later this week, following today's commemoration of the 49th anniversary of Italian liberation from fascist rule. The event is seen by some left-wingers as an opportunity to demonstrate against the new government.

Mr Berlusconi himself has proposed a US-style "blind trust" as one way of distancing himself from his businesses, which range from television to retailing. Last week he described the first step in this process – the planned sale by his Fininvest business empire of a majority of its publishing interests – as a "considerable sacrifice".

But allies and opponents do not believe this will be enough. One suggestion is a statutory "watchdog" to oversee the new government.

# Attempt to cool Schneider fury

By Christopher Parkes in Frankfurt

Deutsche Bank main board directors will today attempt to calm the storm over the bank's involvement in the DM5bn (£2bn) bankruptcy of the Jürgen Schneider property group.

Mr Hilmar Kopper, the bank's chairman, will lead a press conference flanked by senior managers most closely involved in the granting of loans to the fugitive Mr Schneider.

Mr Georg Krupp is supervisory board chairman at Deutsche's main property lending arm, Deutsche Centralbodenkredit, based in Cologne. Mr Ulrich Weiss is the director responsible for a Mannheim division which is understood recently to have granted Mr Schneider an interim credit.

Deutsche Bank is owed a total of DM1.2bn, according to Mr Kopper. Most is secured against valuable, although uncompleted, developments in west Germany.

Mr Kopper last week warned of "consequences" at board level if an independent internal inquiry proved "mistakes" had occurred. He later added in a television interview that "a system error" must have been made. As a mortgage provider, Centralbodenkredit had even stricter lending guidelines than the parent.

He did not know why the amount of lettable space in the property in question had not been checked. The sums were certainly big enough to justify a visit.

Mr Kopper also claimed that Deutsche was a victim. Its pride in its status as a "star pupil" had been hurt by its being found not doing its homework properly.

Deutsche was also a victim in the recent near-collapse of the Metallgesellschaft group, which was saved only after Deutsche and Dresdner Bank led a financial consortium which agreed to fund a DM3.4bn rescue package.

Mr Ronaldo Schmitz, the Deutsche director who chaired the Metallgesellschaft supervisory board, and helped arrange the rescue, also came under considerable external criticism at the time.

# Curb on banks' holdings urged

By Michael Lindemann in Bonn

The Social Democratic party (SPD), the main opposition party, has proposed a law forbidding banks and insurance companies from holding stakes of more than 5 per cent in other companies. This follows charges that the present network of large, overlapping stakes does not allow enough transparency and keeps out foreign investors.

The new law would also try to make supervisory boards more effective by preventing any one person from sitting on more than five boards, instead of the present limit of 15. It would also be forbidden to sit on the boards of companies competing with each other.

While there is almost no chance that the law will be enacted before the October general elections, the SPD said the measures would be a priority during its first year in office if it won the October elections.

German banks, most notably Deutsche Bank, which is the largest and best known, have become extremely sensitive to charges that they operate a "closed shop" with their shareholdings.

Criticism of the banks has gathered pace following the recent collapse of Jürgen Schneider AG, the construction group which had been leant DM1.3bn by Deutsche Bank.

Frantic efforts earlier this year to save Metallgesellschaft, the metals and industrial group, after it lost DM2.3bn in oil futures trading, also drew criticism of the supervisory board system which in this case had failed to spot the risks.

"A gentleman's club of management board members mutually approves each others' activities at annual general meetings," the SPD said in a statement.

The SPD legislation, called an "Amendment of the Economic Law for More Transparency and Competition", also requires that salaries paid to members of management and supervisory boards be declared and that shareholders have more extensive rights to challenge decisions made by the two boards.

# Ban lifts Tapie's mayoral chances

By David Buchan in Paris

Mr Bernard Tapie, the French populist businessman-turned-politician, said yesterday he would use all his energies and all legal means to try to reverse the French football federation's decision to bar him from football indefinitely and to relegate his star Olympique-Marseille club to the second division.

Ironically, the French soccer authorities' move to penalise the O-M club and its president for seeking to rig a game last year may reinforce Marseille's "martyr complex" and Mr Tapie's chances of becoming its mayor next year.

Mr Tapie, a left-wing national deputy from the Marseille region, won a local council seat handsomely last month by harping on the theme that he and the depressed southern city were being victimised by France's political and sporting establishment.

Some observers saw in the Balladur government's recent decision to postpone France's next round of municipal elections until June 1995 its desire not to see Mr Tapie become mayor of Marseille in the run-up to the presidential elections in a year's time.

In an interview with the Journal du Dimanche, Mr Tapie said he would comply with the French football federation's ruling, while still appealing to the French national olympic committee and possibly the Conseil d'Etat, the country's highest administrative tribunal, to have it reversed.

INTERNATIONAL PRESS REVIEW

# Serb newspapers ignore plight of besieged Moslems

SERBIA

By Laura Silber

*Duga*, the most popular magazine in Serbia, was impossible to find last week. There had been a rush to read the confessions of Mrs Dafina Milanovic, whose bank, Dafiment, failed last year, leaving her depositors clamouring for about $300m.

The interest in matters financial came as the foreign press was asking whether the Nato ultimatum would end the tragedy in the Moslem enclave of Gorazde. Serbia's state-run media ignored the plight of the Moslems and denounced the West as warmongers conspiring against Serbia.

The media is one of the main pillars upon which President Slobodan Milosevic of Serbia has built his regime, using it to whip up ethnic hatred against his opponents. Tiny *B-92*, a Belgrade radio station, and a handful of objective and independent publications, are overshadowed by the gigantic Television Serbia, which spews a mixture of lies, bigotry and misinformation.

In the Duga article, members of Serbia's ruling elite were alleged to have been involved in financial wrongdoings, which led to the collapse of Dafiment, one of the biggest banks in the Balkans, and left tens of thousands of Serbian citizens without any savings.

At first, Mrs Milanovic's remarks seemed a scandalous exposé of the murky world of Belgrade's powerbrokers. But her revelations stopped short of implicating Mr Milosevic and his allies. Instead her roster included people who, in varying degrees, were Mr Milosevic's opponents and could now be made public scapegoats.

Duga fits in the largest category of Serbian publications, those which pretend to be independent but are actually run by the regime of Mr Milosevic. However, each issue offers a bizarre range of view-points: from the fascist to liberal.

Of special interest in Duga is the diary of Mrs Mirjana Markovic, the wife of Mr Milosevic. Her musings on the nature of life, spring-time in Belgrade often sound the death knell for the political rivals of her husband or herald an imminent Machiavellian manoeuvre by the Serbian President.

The diary of Mrs Markovic is then reprinted in *Politika*, the oldest and most influential Serbian daily. This traditionally pro-government newspaper over the past year has softened its tone after an unfortunate period as a screeching mouthpiece of Serbian nationalism.

In Belgrade, three other daily papers are published: ultra-nationalist and anti-Western *Vecernje Novosti*, sensationalist *Politika Express*, and liberal *Borba*. While each claim a high circulation, readership has fallen drastically with the impoverishment of the population and the disintegration of Yugoslavia.

How Belgrade's Vecernje Novosti sees the conflict

The centrepiece of the Serbian media is *Television Serbia*, the motor of the government's propaganda machine. It is most powerful in rural parts of the country, where the illiteracy rate is higher, and is especially important in Serb-held territories in Bosnia and Croatia, where newspapers are rare commodities.

The main news programme, Dnevnik 2, sets the tone of popular opinion. Its content is so tightly-controlled that it must be approved by the highest level of government. Information is re-packaged in such a way that, for example, the Serb assault on Gorazde is portrayed as a desperate counter-attack by heroic, bare-handed Serb defenders. Any public appearance of Mr Milosevic is the top item on the news.

It goes to great lengths to mould public perceptions. At the weekend President Bill Clinton was depicted as an "enemy of the Serbian nation" for his calls to launch air strikes. Television Serbia broadcast a remarkably unflattering photograph of him with mouth agape.

Television Serbia over the past few years has sacked dozens of liberal and talented journalists leaving a cast of the obedient who serve up a nightly diet of dull and rambling programmes, in the old-fashioned communist style.

There is a small but flourishing independent media which openly critices official policies.

Tiny B-92, the courageous independent radio, cannot be even be heard in all of Belgrade. The group of dedicated reporters has managed to excel even in the most adverse circumstances. *Vreme*, the respected weekly, *Nin*, which has emerged as a non-partisan magazine, and Borba, the only liberal daily, are an island of sanity in this hostile sea of nationalist hatred.

In Kosovo, the mostly ethnic Albanian province in southern Serbia, Albanian-language broadcasting was shut down four years ago by Belgrade, but the press has rebounded. *Bujku*, the daily, is controlled by the biggest Albanian party. *Koha*, *Forumi* and *Zeri*, independent weeklies, offer a range of political view-points.

The campaign against the independent media in Serbia reached fever pitch with Nato air strikes against Serb targets in Bosnia, when the credentials of thirteen journalists working for foreign media were revoked. Belgrade radio warns of dark days for Yugoslavs working for non-governmental media.

The state of the Serbian press reflects the moral disarray of the country. As Belgrade heightens its rhetoric against the outside world, the independent media remains at the mercy of a merciless regime.

# World offers democracy a helping hand

## Thousands on hand to help smooth process, writes Michael Holman

SOUTH AFRICAN ELECTIONS April 26-28

*Never has an election in Africa, or anywhere else in the world for that matter, been so closely monitored and observed. When South Africa's 22.7m voters go to the polls this week they will do so under the scrutiny of thousands of foreigners in an exercise managed by more than 200,000 local officials and volunteers, and under the protective eye of at least 100,000 police, soldiers and reservists, erstwhile defenders of apartheid now helping play midwife to democracy.*

For some of the foreign participants, it is the culmination of months of involvement, working behind the scenes as technical advisers. And for some it has been a lonely, sometimes tricky, experience in the field; in northern Natal or eastern Transvaal as potential targets of Zulus, who once threatened a boycott but who are now enthusiastic participants, or resentful right wingers.

Most of the publicity, however, focuses on democracy's day-trippers – famous names jetting in for the final days, the culmination of a process that got under way more than four years ago when Mr Nelson Mandela was set free.

The world's political has-beens, would-bes, wannabes and may-yet-bes – from former US presidential candidate Jesse Jackson to ex-British Labour party leader Neil Kinnock – are here to pronounce.

The luminaries include ex-Zambian president Kenneth Kaunda, staunch advocate of a one-party state during his disastrous 20-year reign, but now a reborn democrat preaching the merits of a justiciable bill of rights and multi-party democracy.

The delegation from the Organisation of African Unity, whose member states' record on democracy is hardly more edifying that South Africa's National party, include in its ranks two incongruous arbiters of fair play.

One headed his country's electoral commission, his integrity apparently unimpaired by the fact that the ruling party, which went on to win an election riddled by malpractice, had written off his debts to a state-controlled bank.

Another is named in an official report suggesting that he might be able to help with inquiries into the murder of leading members of the country's judiciary.

But day-trippers aside, the bulk of the men and women in the field have been doing a valuable, sometimes dangerous job, their presence alone making potential trouble-makers think twice and reassuring voters who are nervous about intimidation.

They form an army – or at least a couple of battalions – of overseers who have flown in from around the world.

Leading the field is the 2,000-strong United Nations observer mission which is co-ordinating the exercise, and the 50-strong OAU team. Add to this a further 600 independent observers from UN member states, about 2,000 observers from assorted non-governmental organisations, and a couple of thousand reporters, camera crews and photographers, and South Africa's voters will be grateful to find sanctuary in the privacy of the polling booth.

The exercise represents the largest single deployment of UN monitors, some 1,500 from more than 80 countries, equipped with blue vests, caps, the UNOMSA acronym and expressions of determined neutrality.

Britain's Liberal Democrat MP, David Steel, the Belgium Christian Democrat Wilfred Martens and French socialist Jean-Pierre Cot lead the team of 300 European parliamentarians.

Most of these onlookers have remained silent during the process, accepting without public comment the imposition of a state of emergency in Natal, refusing to comment on detentions or cases of intimidation. As Prof Jacob Ruiter, spokesman for the European Union monitors, said last week in response to questions about detentions: "I have no comment. We are here only as observers."

It would take a catastrophe, however, before the body at the heart of the election organisation would be prepared to declare that the election had not been "substantially free and fair". From its inception in December 1993 with a handful of staff, South Africa's Independent Electoral Commission (IEC) now employs more than 200,000 South Africans to cater for the millions of voters, many casting ballots for the first time in 9,000 polling stations.

Mr Johann Kriegler, chairman of the Commission, carries the responsibility for administering the election and ultimately determining whether polling has been acceptable.

He seemed to have ruled out an adverse decision from an early stage. "Should we come, heaven forbid, to the conclusion that we cannot so certify, our country will be plunged into disaster," he said in February. "Self-evidently," he continued, "that is a result which we will strain to avoid with all we can muster."

But to South Africa's and the world's overwhelming relief, the disaster that could have been brought about by political violence or sabotage looks to have been averted. As one foreign observer put it: "So far, so miraculous."

AFRICAN NATIONAL CONGRESS

# Mandela, 75 going on 16, leads the way

**By Patti Waldmeir in Johannesburg**

We know only one thing for certain about this week's South African election – who will win it. Mr Nelson Mandela, president of the African National Congress, is on the right side of history, and that *will put his party on the right* side of victory as well.

For neutral observers that has taken some of the excitement out of the election campaign. But partisan participants have had no trouble getting excited about the campaign. Certainly, Mr Mandela has loved it, and the crowds have loved him.

"Although I am 75 years of age, when I am among you I feel like a young man of 16. You are the people who inspire me every day of my life." He has paid this tribute to countless crowds, and he has never sounded less than sincere, *however often he has said it.*

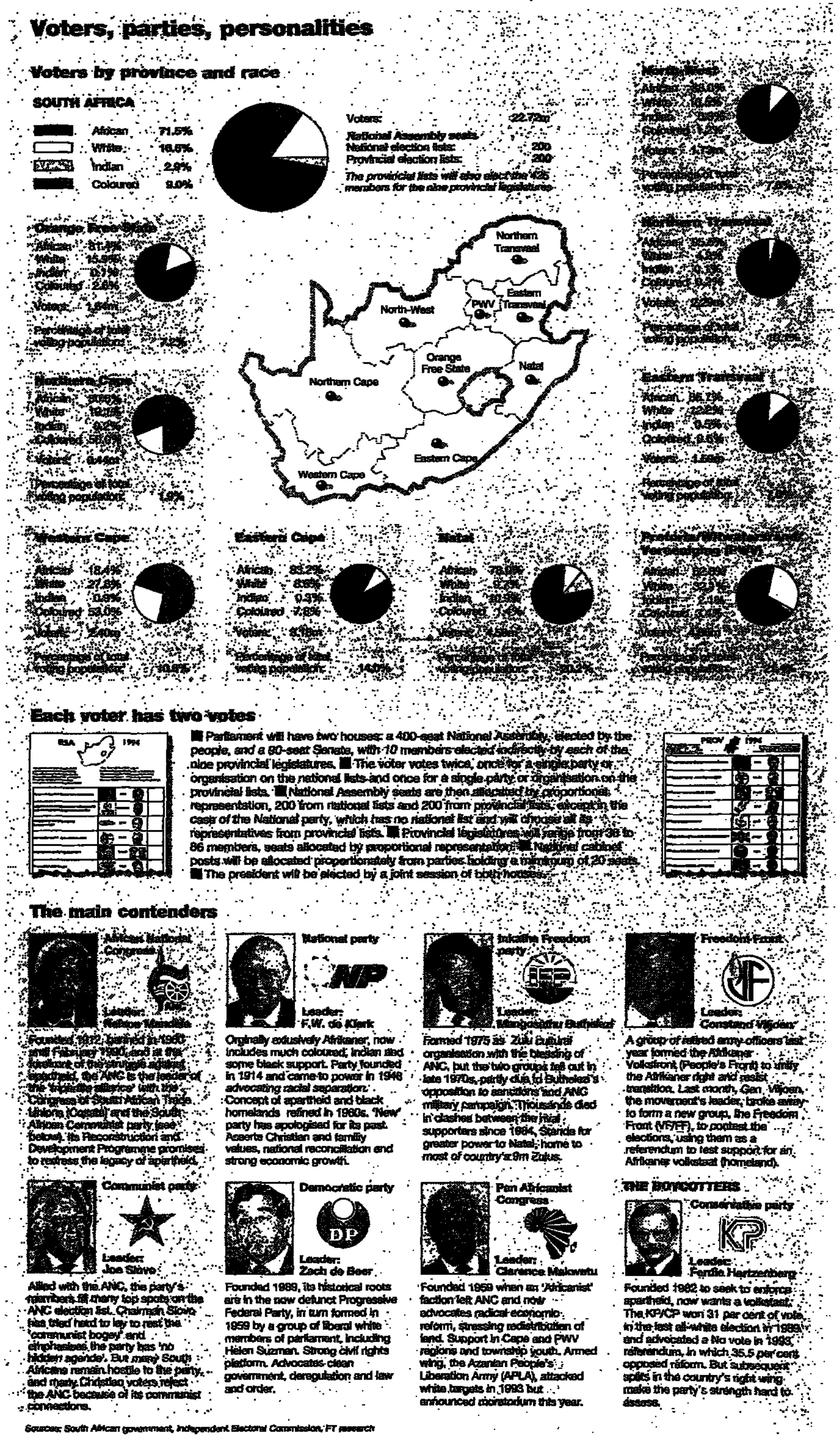
"I am humbled to represent the work and struggle of so many people who made democracy a reality in our country." No one is tempted to disbelieve him.

Mr Mandela is a natural, with his radiant smile and his obvious love for his people. Unlike President F.W. de Klerk, the National party leader – who arrives at rallies *surrounded by a phalanx of* security men and only smiles on cue – Mr Mandela's smile is straight from the soul (and his security is too often ignored). He spends as much time as possible shaking hands and displaying his regal physique to adoring crowds, whether standing on the back of a truck to make a circuit of a football field, or sticking his torso through the sun roof of his car to tour townships waving like royalty.

But there is another side to the septuagenarian leader: he is one of South Africa's most boring speakers. By the time he finishes, he has often lost half the crowd. But he is not deterred. With his forefinger wagging in a style first popularised by former President P.W. Botha, Mr Mandela delivers headmasterly lectures condemning mass protest action (pioneered by the ANC, but no longer welcome now it is assuming power), urging co-operation with the police and tribal chiefs (hated symbols of apartheid), *even extolling* the virtues of punctuality.

Mr Mandela persists with his stern lectures, oblivious of the reaction of his supporters. And that fact tells the real truth about the campaign: that it is not a contest at all. There are almost no "swing voters". It is inconceivable that many of those viewing a recent televised debate between Mr Mandela and Mr de Klerk were trying to decide between the two contestants. South Africa simply does not work like that; people do not leave the ANC camp to join the NP, or vice versa. The gulf is too wide.

*Mr Mandela's greatness* lies in his efforts to bridge that gap.




NATIONAL PARTY

# Apartheid architects break the mould

**By Michael Holman**

Tumultuous applause greeted President F.W. de Klerk, hand-in-hand with his wife, as he stepped out on the podium of Cape Town's Good Hope Centre for the last rally of the National party's remarkable campaign.

It is the state president's final appearance in a campaign in which there has been a *transformation* in the NP's image. The party synonymous with apartheid is now selling itself to voters as the "new National party," *acutely* aware it *has* to break out of its ethnic mould and make inroads into the black, Indian and coloured (mixed race) constituencies if it is to shape and direct the affairs of South Africa in the years to come.

A shrewd advertising campaign, running full page profiles of black teachers, clerks and other professionals who have openly declared their support for the party with the text playing on fears of violence and intimidation, *has helped* win over some black voters.

Whether the impact will be anything more than marginal in an election in which there is probably only a small pool of "floating voters" remains to be seen. But the country's millions of coloured voters, most *of whom live in Cape Town* and the surrounding region, are another matter.

Conservative, fearful of an ANC hegemony, anxious about the impact on jobs and housing of the massive influx of black work seekers into the Cape since influx controls were dropped, the majority appear to have been won over to the NP cause.

The genuine warmth of the reception from the 9,000-strong *crowd* packed *into the* auditorium this weekend was poignant. The audience was predominantly coloured, the creation of union between white and black over the last three centuries. But the leader of the once exlusively white party that disenfranchised them was *taken back* into the fold.

"I want to pay tribute to you who have been prepared to forgive what has happened in the *past, who have been prepared* to open your hearts and your arms for me and made me feel safe in those arms," said Mr de Klerk, visibly moved.

What the National party stands for, Mr de Klerk tells this and other rallies around the country, are family values, law and order, Christian ethics, sound, market-driven economic policies, and hard work. Hendrik Verwoerd, prime minister in the 1960s and high priest of apartheid, must be turning in his grave.

PAC

# Radical policies alienate whites

**By Michael Holman**

One thing is certain about any assessment of the appeal of the Pan Africanist Congress, led by Mr Clarence Makwetu: it will not win white votes.

Its radical economic policy – *which stresses the need for a* redistribution of farmland, the "One settler one bullet" slogan which the party's leadership has yet convincingly to disavow – and the *killing* of several whites last year by the military wing, the Azania People's Liberation Army, confines its appeal almost exclusively to black South Africans, and the unemployed youth in particular.

The PAC, which broke away from the ANC in 1959, may be biding its time, accepting that it will make at best a modest showing in this week's poll – few observers predict more *than 5 per cent – but keeping* its powder dry, so to speak.

Senior officials argue that the new government, almost certain to be dominated by the *ANC, will not be able to* deliver on its promises. It will also emerge, says the PAC, as a party that has entered into an unholy pact with the white minority, with senior ANC leaders settling down into a comfortable life and alienating their followers.

Support for the PAC outside the townships comes mainly from the eastern Cape, home of the black consciousness movement which was so influ*ential in the 1970s* and in which the party has its roots.

Its greatest potential is in the former homeland of Transkei, where several APLA bases exist thanks to the tolerance of Maj Gen Bantu Holomisa. His stance enhanced his credentials but the former *homeland leader chose to* give his support to Mr Nelson Mandela, the ANC leader who, like many other ANC officials, was born in the Xhosa-speaking region.

Gen Holomisa has succeeded in turning the region into something approaching a *no-go area for all but the most* intrepid of campaigners other than those of the ANC.

INKATHA FREEDOM PARTY

# Buthelezi relies on high profile

**By Patti Waldmeir**

The face of Zulu leader Mangosuthu Buthelezi appeared screen-printed on traditional African cloths, shirts, skirts and scarfs months before he officially entered the election race.

Chief Buthelezi in fact has spent 20 years making sure his face is well known to every *potential voter in his power* base of Natal province, and in the *migrant* workers' hostels near Johannesburg, where his support is strongest.

His campaign strategists say they are relying on his high profile to compensate for the brevity of his campaign: only five days (as campaigning stops at 7am today).

The biggest boost for his campaign so far came when King Goodwill Zwelithini called on Zulus to vote.

Those who are likely to heed the call of their traditional ruler (as opposed to urbanised Zulus, whose tribal ties are weaker) *are likely to exercise* their vote in favour of Inkatha, the party of ethnicity and tradition.

For it is not as though Chief Buthelezi *is setting out to* woo voters away from other black parties, notably the African National Congress.

In a country of rigid political loyalties, western-style campaigning has little impact.

Individual preference is almost always subservient to choices dictated by geography (residents of ANC areas are unlikely to risk voting Inkatha) or greed (many vote not for the policy but forthe prospect of personal benefit).

Chief Buthelezi's goal is simply to ensure that his supporters *know that they are sup*posed to vote and not boycott the election.

The rest takes care of itself: Inkatha supporters respect authority and are used to taking orders; the key is to ensure that they know what those orders are.

Support among whites – the other potential pool of Inkatha voters – is a different matter. Chief Buthelezi's white support fell away almost entirely during his campaign to boycott the poll; but if Johannesburg's radio talk shows are anything to go by (and with publication of opinion polls banned, there *are few other ways to test pub*lic opinion) many have returned since his decision to participate.

They, too, need little persuasion. Everyone knows his positions on questions such as federalism, after months of daily news coverage of his dispute with the ANC on this matter. No campaign can do more.

DEMOCRATIC PARTY

# Destined to remain on periphery

**By Michael Holman**

It has been a long political journey for Dr Zach de Beer, who entered parliament in 1953 aged 24 (for the now defunct United party) before switching careers and joining Anglo American, where he was a *director until his retirement in* the mid-1980s.

Now 65 and leader of the liberal Democratic party, Dr de Beer is within reach of a cabinet seat in the post-election government of national unity. Should he take up the position (his decision will depend partly *on what he is offered) he will* represent a party that has long been the conscience of white *South Africa. However, the* Democrats will remain on the periphery of real power.

Over the weekend Dr de Beer expressed the obligatory eve-of-poll confidence. "I think we will get at least 5 per cent, probably 8 per cent, of the vote," enough under the *proportional representation sys*tem that determines the allocation of cabinet posts for the DP to get at least one portfolio.

But admirable as the party has been as a champion of a now-triumphant cause, and which had the doughty Helen *Suzman as its MP for most of* her 36 years in parliament, it seems to have failed to expand *much beyond its liberal white* constituency and make significant inroads into the black electorate.

Last night, at their final rally in the wealthy Johannesburg suburb of Houghton, still the party's heartland and the constituency dominated for so *long by Mrs Suzman, the* audience was enthusiastic, supportive – and mainly white.

Dr de Beer and Mr Tony Leon, the party's tough, talented and quick-witted 37-year-old deputy, rallied the party faithful, castigating the record of the National party.

*At the same time they ques*tioned the African National Congress's commitment to a *market economy, and warned* that despite Mr Nelson Mandela's support of a justiciable bill of rights, the country still needed the Democratic party to play its traditional watchdog role.

But the respect the party enjoys is not matched in the polls.

Unfortunately for the party, the Nats have stolen most of the Democrat's clothes, and the best Dr de Beer and his colleagues can hope for is to keep the liberal flag flying in the new parliament and hope that their day will come if and *when a realignment of political* parties takes place in the years ahead.

FREEDOM FRONT

# Viljoen woos Afrikaners

**By Patti Waldmeir**

"Compared to his right-wing cronies, he's practically Vaclav Havel," writes the Johannesburg Weekly Mail's caustic columnist, Charlotte Bauer. That is the strength of the man who leads the right-wing *Freedom Front, retired army* General Constand Viljoen: amid the buffoons and dangerous lunatics who people the land of the far right, Gen Viljoen rises above as a man of integrity and disarming honesty. Also like the Czech president, he is no politician.

*That has probably hampered* his election campaign, launched not quite as tardily *as Inkatha's*, but late enough to constitute a handicap. (The Freedom Front broke away from its predecessor, the Afrikaner Volksfront, only six weeks ago; it was formed to contest the election).

The Freedom Front's message is simple: jaw-jaw and not *war-war* will win a volkstaat (homeland) for those Afrikaners who fear life in the new South Africa. It is a sober message and not the stuff to pump up the macho pride of the typical right-wing Afrikaner. And the dry Gen Viljoen – scarcely inspires a passionate devotion to peace.

Passion is the province of neo-Nazi leader Eugene Terre'blanche, leader of the Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement, AWB). But he is widely despised in *right-wing circles*. Gen Viljoen reckons he needs a 40 per cent vote from the 1.8m Afrikaners (720,000 votes) to persuade the next government to give the Afrikaner a volkstaat. As some 800,000 people voted "no" in the 1992 referendum on ending apartheid, there *seems a fair* chance of this.

However, the ultra-right Conservative party, which organised the "no" referendum vote, is boycotting the poll and this will hamper Gen Viljoen's campaign.

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# S Korea's cabinet in firing line

By John Burton in Seoul

South Korean President Kim Young-sam will decide this week whether to carry out a cabinet reshuffle following the sudden resignation of Prime Minister Lee Hoi-chang on Friday. Mr Lee Yung-dug, minister for unification, is expected to receive parliamentary approval today as the new prime minister in spite of being rejected by the main opposition Democratic party.

Prime Minister Lee, who had earlier led the government's anti-corruption campaign, resigned after only four months in office in a dispute over his authority under South Korea's presidential system.

The search for a new unification minister could trigger a general reshuffle of the government's senior foreign affairs officials, who have been criticised for pursuing an inconsistent policy on the North Korean nuclear issue.

The wavering on North Korea reflects disagreement over whether Seoul should adopt a conciliatory policy toward Pyongyang or pursue a hardline stance. Mr Lee Yung-dug has advocated a tough response to North Korea's refusal to accept inspections, leading to speculation that prominent moderates, such as Mr Han Sung-joo, the foreign minister, may be replaced.

Mr Lee demanded last week that he should approve all decisions taken by the North Korean policy group as part of an attempt to increase the prime minister's power in cabinet deliberations. The office of prime minister is regarded primarily as an administrative position, with the president making most key decisions.

● The president of the state-controlled Korea Exchange Bank, listed on the Seoul bourse earlier this month, resigned at the weekend after the bank was accused of tampering with its bidding price for shares in Korea Telecom that were auctioned last week.

Mr Huh Jun is the second KEB president to resign within a year. His predecessor was sacked last June during the government's investigation of official corruption.

The episode raises questions about the government's procedures for auctioning state companies as KEB was commissioned to handle the bids for a 5 per cent stake in Korea Telecom while simultaneously bidding for some of the shares.

# Japan's talented technocrat rides his luck

## William Dawkins on Tsutomu Hata's route to the top

For a man who claims to have no ambitions, Mr Tsutomu Hata, 58, has had an astonishing run of luck over the past 12 months.

Last April he was asked by Japan's former Liberal Democratic party government, of which he was a member, if he would like to be foreign minister. The offer came on the understanding that he would, one day, become the party's leader.

After consulting his political mentor, Mr Ichiro Ozawa, the offer was turned down. Mr Hata suggested he wanted instead to concentrate on leading a political reform movement.

The decision seemed quixotic to LDP leaders at the time, as political reform movements had led nowhere in Japan. Little did they realise that a few months later Mr Hata, along with Mr Ozawa, would bring an end to 38 years of LDP government by leading a defection from the party and that, ultimately, he would take both the jobs they offered, foreign minister and prime minister.

As an experienced technocrat and winner of friends, few politicians in Tokyo can better Mr Hata, leader of the Japan Renewal party which is at the core of the unstable coalition. Yet many people who have worked with him doubt whether he has the intellectual drive to set his own political agenda.

Bureaucrats who have laboured under Mr Hata in his previous incarnations as agriculture minister, finance minister and, latterly, at foreign affairs, adore him.

They say he is professional, smooth and easy-going in contrast with the pompous, often arrogant, LDP elders of recent times.

He has a good record. Mr Hata was the chief negotiator behind the opening of Japan's beef and orange markets in the early 1980s, he opened the rice market as foreign minister last year, and was Japan's negotiator in the Gatt deal.

He should therefore have the experience to run a more stable regime than did Mr Morihiro Hosokawa, who had never held a cabinet post before becoming prime minister eight months ago.

But will the "nice" Mr Hata be able to bully the divided coalition into making decisions on divisive matters such as tax reform, Japan's position on possible UN sanctions against North Korea, and the US trade dispute?

On balance, those who know him fear the answer is No. "He is not good at political bargaining, not good in a power struggle," says his wife, Yasuko. And Mr Minoru Morita, the political commentator, adds: "Mr Hata may not have the strength and forcible personality to decide things by coercion." One senior civil servant compliments Mr Hata as a talented technocrat, but fears that "at the top of the tower this may not be enough". He lacks the sense of mission that earned Mr Yasuhiro Nakasone, prime minister for five years to 1987, the highest international regard of any Japanese leader in recent decades, says the official.

Tsutomu Hata: can claim to be the plain man's man

US officials share these reservations. They hope Mr Hata will allow himself to be influenced by Mr Ozawa, the deputy leader of the JRP whose skills as a backroom strategist have earned respect in Washington.

The prospective new leader will soon have a fight on his hands, as the coalition will have to decide on a cut in income tax and a rise in sales tax – opposed by the Social Democratic party, its largest member – before the Group of Seven summit in July. It is the toughest issue facing the government but an unavoidable one, because of US demands for evidence that Tokyo is prepared to deliver on promises to stimulate demand for imports.

However, Mr Hata could prove more durable than Mr Hosokawa, despite the battles ahead. Even Mr Hata's enemies in the LDP suspect he will be hard to hurt with the suggestions of financial impropriety that the opposition employed to finish off his predecessor just over two weeks ago.

There is one possible financial taint. As a former member of the LDP's kingmaking Takeshita faction, Mr Hata was close to Mr Shin Kanemaru, the faction's chairman who is now on trial for tax evasion. But with typical candour, Mr Hata has never denied having been part of "sloppy political power play".

"All politicians are guilty because of the system... so it's up to us to change the system," he explained.

Another of Mr Hata's assets is that his style and credentials allow him to appeal to left and right, traditionalists and reformers.

As one who has climbed the ladder from ticket puncher to manager in a Tokyo bus company, Mr Hata can claim to be the plain man's man, reflected in his 61 per cent popularity score in an opinion poll last week.

But he also has roots in old conservative politics, as member of parliament for 25 years for a farming constituency in the mountainous central region of Nagano. In his LDP days he was a member of both the agricultural and telecommunications *zoku*, or sector lobbies, an unusual combination of old and new politics. "He is unique in Japanese politics – an average man with common sense," says Mr Morita.

# Taiwan to send arson delegation

Taiwan will send a delegation to China to gather details on the deaths of 24 Taiwanese tourists in an arson case that has set back detente between the two sides, AP reports from Taipei.

Mr Huang Kun-huei, chairman of the Mainland Affairs Council, told reporters that the delegation would leave for China in a week. The 24 were found dead on March 31 in a burned-out boat on a lake in China's Zhejiang province.

Earlier, Taiwan had demanded an open trial for three suspects arrested by Chinese authorities last week and more details on the investigation before it would accept China's suggestion to send a delegation.

Beijing's semi-official Association for Relations Across the Taiwan Straits sent a letter to its Taiwanese counterpart over the weekend promising that China would answer questions about the case, Mr Huang said.

"The most important thing now is to find the truth and hammer out compensation for families of the victims... so it is still imperative to hold talks on the incident," Mr Huang added.

The case has prompted Taiwanese groups to call for a boycott on tourism to the mainland and for a suspension of new investment projects. It has also heightened the impression in Taiwan that Beijing remains an unreliable partner.

# Beijing frees key dissident

China played a trump card at the weekend when it freed Mr Wang Juntao, one of the leaders of the pro-democracy protests of 1989, to travel to the US for "medical treatment", writes Tony Walker in Beijing.

Mr Wang's early release from a 13-year jail sentence was widely interpreted in Beijing as an attempt by China to improve prospects for renewal of its privileged trade access to the US market.

President Bill Clinton is required by June 3 to rule on whether to renew China's Most Favoured Nation trading status. He has made renewal conditional on "overall, significant improvement" in China's human rights behaviour.

US officials say China has made progress towards satisfying US criteria for renewal of MFN but has not gone far enough. The recent detention of Mr Wei Jingsheng, China's most prominent dissident, was seen as a setback.

Mr Wang, who was accused of being one of the "black hands" behind the Tiananmen protests, was sentenced in 1991. His wife had fought a long campaign for his release.

He was reported to be suffering from several serious ailments, including heart disease and kidney problems. He had staged at least one hunger strike during his jail term.

Chinese exports to the US, the bulk covered by preferential tariffs under MFN, reached $31.5bn last year.

### Software company accused of trying to limit competitive activities of rivals

# Microsoft tries to defuse new row

By Louise Kehoe in San Francisco

Microsoft, the world's largest computer software company, which is being investigated by the anti-trust division of the US Justice Department, is attempting to blunt new industry charges that it tried to limit the competitive activities of other software developers.

Microsoft angered computer industry executives and drew renewed attention from the Justice Department last week, when it became known the company had asked at least three software companies – Borland International, Lotus Development and WordPerfect – to sign restrictive "non-disclosure agreements" (NDAs) if they got pre-release copies of a new version of Windows, Microsoft's personal computer operating system program.

Microsoft now says it "made a mistake" in demanding that the software companies agree not to allow some of their programmers to work on products that compete with Microsoft's Windows program for three years as a pre-condition to granting them early access to the new version.

Without such access, the software companies could not continue development of applications programs, such as word processing or data base programs, for a large portion of the personal computer market. Microsoft's Windows is installed in virtually all PCs except those from Apple Computer.

NDAs are widely used in the computer industry to protect confidential technology, before general commercial release. But the new Microsoft agreements contain unusual terms, software industry lawyers said.

They require, for example, that programmers – all of whom must be individually approved by Microsoft – obtain Microsoft's written permission to work on programs designed for other operating systems, including the products of Novell, Microsoft's largest competitor in the PC software market.

Microsoft specifies that the programmers should not be allowed to participate in the "design and/or development, feedback, or guidance of a company product that is competitive with [Windows]".

Identified in the text of the agreement as one such competing technology is OpenDoc, a standard that is being developed by Apple Computer, WordPerfect, Novell, Borland, IBM and others to enable programs from all developers to work together more efficiently. Microsoft is not part of this industry group.

This restriction would preclude collaboration among the supporters of OpenDoc, said the legal counsel of one of the software companies in the group, thus preventing the development of a (non-Microsoft) competing industry standard.

After receiving a complaint from WordPerfect, Microsoft agreed on Friday to remove references to OpenDoc from the NDA. Microsoft also said that it would drop the three-year time commitment in agreements with WordPerfect and others.

"We want to assure our customers and the software industry that our objective is to make Chicago [code-name for the new version of Windows] and all our operating systems compatible and open, and we will respond constructively to any concerns raised," said Mr Paul Maritz, senior vice president.

Nonetheless, Microsoft has "provided the Justice Department with further evidence for potential charges that Microsoft is discriminating against some companies in the access that it provides to an essential facility," said Ms Wendy Goldman Rohm, author of a forthcoming book on Microsoft's antitrust struggles.

Under US anti-trust laws, an "essential facility" is something that the market needs and cannot duplicate. "Microsoft is clearly discriminating against companies that may be in a position to create an alternative software standard, thus ensuring that Microsoft standards will be the ones adopted by this industry," said Ms Rohm.

# Russia external needs this year put at $34bn

By Peter Norman in Washington

Russia will need $34bn in external finance this year in addition to the $1.5bn loan approved last week by the International Monetary Fund, according to confidential IMF estimates. The estimates, prepared in the course of negotiating the IMF loan, anticipate that debt relief from all Russia's creditors would provide some $26bn, by far the biggest share of the total financing requirement.

However, the Fund envisages Russia will also obtain additional loans totalling $5bn from bilateral creditors and grants of more than $2bn. Russia can also look forward to credits from the World Bank and the European Bank for Reconstruction and Development.

The IMF expects Russia will be able to increase its foreign currency reserves this year after boosting them by more than $3bn last year. However, success would be dependent on preventing large scale capital flight from Russia.

At a meeting with journalists yesterday, Mr John Odling Smee, the IMF director in charge of Russia and the other former Soviet republics, said capital flight was reversed in the middle of last year after the Russian authorities tightened their monetary policy. The IMF tentatively estimates that capital flight last year may have declined to $8bn last year from $13bn in 1992, although officials stressed that the statistical basis for such estimates was far from perfect.

The $1.5bn loan approved last week is conditional on a stringent economic policy programme agreed between the IMF and the Russian government. The programme, the third such pact, was preceded by two other programmes.

Yesterday Mr Ernesto Hernandez-Cata, Mr Odling-Smee's deputy, admitted that Russia's performance in both previous programmes was "not impeccable". However progress had been made and this, together with assurances from the present Russian government, helped the IMF to make the latest agreement.

Mr Hernandez-Cata, who played a leading role in negotiating the IMF loan, said Russia had been able to cut its budget deficit to 8 per cent last year from 18 per cent in 1992. Credit growth had also be curtailed to 350 per cent last year from 550 per cent the previous year.

The monthly rate of inflation had also come down from 20 per cent last year to a single digit level.

It was "too early to declare victory" in Russia, Mr Hernandez-Cata said. However, the Russian economy had reached the point of no return in its transition from communism to a market-based system. The latest IMF programme would achieve a good result if it was implemented. "It is now up to the Russians to see that that happens."

# Rwanda initiative collapses

Plans for peace talks to end civil war and tribal slaughter in Rwanda collapsed yesterday, Reuter reports.

A rebel leader said in Arusha, Tanzania, that he had no intention of talking to a Rwandan government delegation, which in any case failed to turn up in the town for talks.

"I'm leaving for Nairobi," Rwanda Patriotic Front (RPF) secretary-general Theogene Rudasingwa told reporters, before walking out of the hotel where the talks were supposed to take place.

He said he came to Arusha only to brief Organisation of African Unity secretary-general Salim Ahmed Salim and Tanzanian officials on an RPF unilateral ceasefire from today.

Officials said Tanzanian Prime Minister John Malecela tried in vain to persuade Mr Rudasingwa to stay and talk with the government delegation - whenever it managed to arrive.

The talks were called by Tanzania to end civil war and massacres that have occurred since Rwanda's President Juvenal Habyarimana was killed when his aircraft came down on April 6. The president of neighbouring Burundi died in the same crash.

The RPF strongly opposes the government set up by members of Gen Habyarimana's political party and blames it for the killing of thousands in tribal fighting that followed his death.

Human rights workers estimate 100,000 people have been killed and 2m displaced this month – most of them opposition party supporters and members of Rwanda's minority Tutsi clan.

Mr Victor Chernomyrdin, the Russian prime minister, greeting Mr Yitzhak Rabin yesterday. The Israeli prime minister was starting a four-day visit to Moscow during which he will meet President Boris Yeltsin. Associated Press

# Last week of Middle East talks

By Julian Ozanne in Jerusalem

Israel and the Palestinian Liberation Organisation yesterday begun what both sides hope will be a last week of talks in Cairo before the long-awaited signing of an agreement on Palestinian self-rule in the occupied Gaza Strip and West Bank town of Jericho.

The two sides said over the weekend they aimed to wind up detailed negotiations this week preparing for a Cairo summit next week between Mr Yitzhak Rabin, Israeli prime minister, and Mr Yassir Arafat, PLO chairman, to be followed directly by a signing ceremony.

Mr Shimon Peres, Israeli foreign minister, is expected to fly to Cairo on Thursday to meet Mr Arafat to make the final arrangements for the Rabin-Arafat summit.

Mr Shimon Shetreet, Israeli economics minister, said yesterday: "We are beginning discussions today for a possible meeting on Thursday between Peres and Arafat, hoping that the signature of the agreement will take place on the 3rd, 4th or 5th of May."

However, obstacles remain to be resolved in talks this week, including the extent of jurisdiction of Palestinian courts over foreigners and Israelis in Gaza-Jericho; the security zoning arrangements in the Gaza Strip; passports and whether the Palestinians will have their own currency.

If these issues are successfully negotiated this week the way will be cleared for the Rabin-Arafat summit where both leaders will have to overcome further outstanding issues such as the final size of the Jericho enclave and deployment of Palestinian police on border crossings.

The economic track of peace talks in Paris must also break the deadlock over migrant labour and the kind of trade regime the self-governed Palestinian economy would adopt.

Although the agenda appears lengthy and complicated both sides realise further delays in signing an agreement could fuel Arab-Israeli violence and play into the hands of extremists on both sides who oppose the peace process.

Ministers said Mr Peres, who met a troubled and suspicious Mr Arafat in Bucharest last week, yesterday warned Mr Rabin the deal must be signed soon or "perhaps the whole thing won't come to pass".

# Ecology worry is dismissed

By Bronwen Maddox, Environment Correspondent

High environmental standards do not damage a country's international competitiveness, according to a new working paper from a senior World Bank economist.

Demands from countries with high environmental standards for trade protection against countries with lower standards are misguided, it argues.

Industries which are subject to tight environmental rules – particularly the chemical, energy and paper sectors in Europe and North America – have been concerned that they will be undercut by competitors in other countries.

But developing countries have frequently seen these fears as disguised protectionism.

This month's meeting in Marrakesh to sign the accords in the Uruguay Round of the General Agreement on Tariffs and Trade set up a committee to examine these potential conflicts.

The World Bank's policy research paper, by Ms Piritta Sorsa, compares performance of sectors which are subject to tight environmental regulation in seven countries: Austria, Finland, Norway, Sweden, Germany, Japan and the US. The countries were chosen because they aim for high environmental standards, she says.

The study, which does not represent the views of the bank, concludes that the industrial sectors which spend most on pollution control generally maintained their international competitiveness between 1970 and 1990.

World market shares in these sectors have not changed dramatically over the past two decades, despite introduction of higher environmental standards in most industrial countries, it adds.

Of the seven countries, Austria and Finland have increased their world market shares in these highly regulated sectors. The report attributes this partly to environmental policies which have encouraged investment and innovation.

While Germany, Sweden and the US maintained the competitiveness of these industries, Japan "has opted out of trade in many environmentally sensitive goods" and its market share has halved, the report concludes. It attributes the loss of share partly to high energy costs in Japan, particularly in the 1970s, rather than to environmental costs.

The study comments that environmental spending is generally a small share of total industrial spending and therefore unlikely on its own to affect international competitiveness greatly.

*Competitiveness and Environmental Standards, working paper 1249, The World Bank, International Economics Dept., 1818 H Street NW, Washington DC 20433, Room S7-040.*

# Sentiment grows for SDR hike

By George Graham in Washington

Finance ministers from the industrialised countries are showing a greater willingness to listen to the International Monetary Fund's ideas for expanding the level of currency reserves.

Yesterday's meeting of finance ministers from the Group of Seven leading industrialised countries was expected once again to rebuff the IMF's requests for a new issue of special drawing rights, the basket of currencies which the Fund uses as its own accounting unit and which serves as a reserve asset.

Nevertheless, officials indicated they were sympathetic to the shortage of international reserves experienced notably by the countries of eastern Europe and the former Soviet Union, which were not members of the IMF the last time new SDRs were issued.

A G7 official said other ideas could involve changing IMF's limits for access to loans by borrowing countries, calculated as a percentage of each country's stake in the Fund. Russia strongly supports the allocation proposal, which officials say should amount to SDRs16bn ($22.4bn) in a first tranche, followed by four annual issues of SDRs5bn.

Germany, along with the US and UK, opposes new SDRs which it fears could spur global inflation.





# Four Algerian rebels killed in police sweep

Algerian security forces said yesterday they had killed four Islamic militants during a two-day sweep of Moslem fundamentalist strongholds, according to the official Algerian APS news agency, Reuter reports from Tunis.

APS said soldiers also arrested 61 people suspected of belonging to or supporting armed Islamic groups.

Algerian Radio said a large cement factory, which was badly damaged by two bombs on Friday, would be out of commission for three months. It said 10 Islamic militants were involved in the attack on the plant at Meftah, 12 miles south-east of Algiers.

The army-backed Algerian authorities have blamed Islamic militants, battling to set up an Islamic state in the North African country, for various acts of sabotage of economic installations since 1992.

The latest deaths bring to around 500 the number of Islamists reported killed in Algeria since March.

# Complaints panel set up

By Peter Norman

The World Bank moved to fend off criticism of its operations by appointing a three-man independent inspection panel to receive and investigate any complaints that the bank has failed to follow its procedures and policies in projects that it supports.

The panel – described by World Bank president, Mr Lewis Preston, as providing "a safety net in exceptional cases where standards are not met" – will be chaired by Mr Ernst-Günther Bröder, a German and former president of the European Investment Bank. The other members will be Mr Alvaro Umaña Queseda, a former minister of natural resources in Costa Rica and Mr Richard Etter Bissell, who was an official with the US agency for international development. The three have been appointed for five, four and three years respectively.

The bank said the panel complements its existing quality control systems in project preparation and is part of its policy of improving accountability and openness.

An investigation by the panel must be requested by people adversely affected by a bank project and approved by the bank's executive board. The bank will publish reports by the panel and the bank's response to them.

The World Bank is the first multilateral development bank to set up such a panel. The move follows criticism that some bank-financed projects have been harmful to the environment and the indigenous peoples of the countries in which they have been carried out.

# Brazil eyes the satellite launch market

## Angus Foster visits a rocket site being built with modest hopes for business

Hidden from the view of tourists visiting the crumbling colonial ruins of Alcântara, on Brazil's north-eastern coast, is a gleaming highway complete with drainage ditches and bright white lines. The road, incongruous in a region better known for poverty and backwardness, leads through a tightly manned security post to a testing ground for the country's high technology capacity – a satellite launching site.

Brazil hopes to complete the site by the end of next year, in time for the launch of the country's first domestically developed rocket, known as the VLS. If successful, Alcântara's services will be marketed abroad.

Brazil hopes it will become a cheap and easy alternative to better known launch sites, such as Kouros in French Guiana, used for the European Ariane rocket.

However, the country has cancelled some of the more ambitious of its space plans since the project was launched by the military government in the early 1970s. The country is now stressing that its programme is "modest" in scale and non-military in character.

The February decision to merge its satellite and rocket research under a new Brazilian Space Agency (AEB), linked directly to the office of the civilian president, was partly designed to reduce the military's visibility and gain access to much needed foreign technology.

The Alcântara base, which is key to the programme, has been held up by funding problems because of the central government's economic problems. The base has received only $135m of its planned budget of $260m. According to base commander Colonel Lauande the launch site is now 65 per cent complete but the satellite control centre still requires a lot of work. "To complete the launch of the VLS we need $40m," he said.

According to the Brazilians, Alcântara will be the most economical launch site in the world for certain types of satellites. Its proximity to the equator means satellites can be put into orbit using less fuel. Brazil hopes a satellite launched with a rocket like the European Ariane would use 8.5 tonnes less fuel from Alcântara compared with Cape Canaveral in the US.

This would make the launch much cheaper or allow heavier satellites to be launched. Brazil says Alcântara will be cheaper than the nearby site of Kouros, which is slightly further from the equator. According to private analysts, it is impossible to guess at Alcântara's launch costs before it is fully operational. But they admit it is a perfect site.

Brazil hopes to offer the base to other countries for launch services. So far, Russian officials and a private US company have expressed interest. The Japanese Space Agency also visited the site last month.

The programme's final goal is to put a satellite into space using a Brazilian-designed rocket. The VLS, a 19-metre launch rocket being developed near São Paulo and based on Brazilian technology, has been delayed by technical and financial difficulties. Private sector analysts warn that the rocket may still be some way from launch.

If there is a further delay with the VLS, next year's planned launch of Brazil's second meteorological satellite will have to be carried out with a foreign rocket from an overseas site.

Brazil is also looking for foreign partners for its programme, partly because of spending constraints and partly to share technology. Last year the country formalised a 1988 joint venture agreement with China to develop two satellites due for launch in 1996 and 1998. China, which also has an ambitious space programme, will hold 70 per cent of the $150m venture and Brazil the remainder.

The satellites are designed to photograph the earth and monitor atmospheric pollution and forest reserves.

Brazil's space programme this month received welcome support from an unlikely quarter. Mr Luiz Inácio Lula da Silva, the left-wing frontrunner in polls for October's presidential elections, said during a visit to Alcântara that he would support the base because of its technological importance.

Mr da Silva's Workers' party, which is deeply mistrusted by the country's former military rulers, was probably sending a message to the generals that key – and favourite – projects would be left untouched if it wins power.

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# Career to inspire both respect and unpopularity

Richard Nixon, who died on Friday night, was the only US president forced to resign. To the end of his days he knew this single fact would be the outstanding feature of any account of his life. In consequence he spent the years after he left the White House in disgrace on August 9, 1974 in a protracted effort to rehabilitate his reputation. His purpose was to regain what political influence he could as an elder statesman.

In this he was remarkably successful. Ruthless, and widely hated for it, he was nevertheless respected during much of his career, and most of all as he neared the end of his life. A genuine expert in foreign affairs, he was consulted by most of his successors at times of difficulty. He excelled in the nuances of cold war policy; his messy and bloody withdrawal of the US from the Vietnam war was perhaps the best that could be expected of a man of his character. The mood of Congress and the people at the time gave him little leeway.

> He became the world's most celebrated anti-communist, at a time when such a stance was not universally popular

A man who became accustomed to seeing his life as a struggle against opposing forces, and whose political career was haunted by fear of failure, Richard Milhous Nixon was born of poor parents in Yorba Linda, California, and educated himself as a lawyer against considerable material odds.

His political career began in 1946 when he unexpectedly carried California's 12th Congressional District for the Republicans, after accusing the incumbent of being soft on communism. It was a foretaste of the bitter campaign he was to pursue against Alger Hiss, a former State Department official under investigation by the Un-American Activities Committee, which first brought him national fame.

To the end of his life, Nixon believed it was his handling of the Hiss case that first set the liberal establishment, and above all the media, against him. In his book, Six Crises, he spoke of "a residue of hatred and hostility towards me... which remains even to this day." Those words must have haunted him years later as the Washington Post and the New York Times relentlessly pursued their investigations of the Watergate break-in.

In 1950, Nixon won a Senate seat in California after what many observers called "the dirtiest campaign on record". Again, he accused his opponent of being a semi-communist. Two years later, he was selected by Gen Dwight Eisenhower to be his vice-presidential running mate. As to campaigning style, Ike said, "you take the low road, and I'll take the high road". Nixon knew well how to fight low. Accused of personal misuse of campaign funds, he went on television, capturing an audience of 58m, the biggest yet of any broadcast. He denied the accusations, but admitted one gift, which he would not return. It was "a little cocker spaniel dog" that "our little girl – Tricia, the six-year-old – named...Checkers." This shameless appeal to emotion worked well. Messages to the Republican National Committee ran 350 to 1 in Nixon's favour.

He used his eight years as as vice-president, and president of the Senate, to good advantage. By 1960 he was as knowledgeable about the details of US politics as that other great product of the upper house, Lyndon Johnson. He became familiar with every twist of policy, especially foreign affairs, an understanding of which he enhanced in close conversations with John Foster Dulles, and through constant trips abroad.

He became the world's most celebrated anti-communist, at a time when such a stance was not universally popular. Overseas, his undoubted knowledge of events in most areas of the globe was a characteristic to be respected. In domestic political infighting, his chicanery with statistics, his sly innuendo, cynicism, and hypocrisy made him the most hated politician in America. Yet his solid conservatism, untainted by racial or religious bigotry, laid the foundations for his later capture of a large and respectable national constituency.

In 1960, having served as Ike's loyal apprentice, he campaigned for the presidency, without his master's visible support, against John F Kennedy. He lost by a whisker. Historians will never cease to debate whether less questionable counting techniques in Texas and Illinois might have produced a different result, but Nixon had the sense to resist a prolonged period of inquiry and recrimination. Just 47 years old, his life then entered a dark phase, from which many believed it would never recover. His fortunes seemed to reach their nadir in 1962 when he failed to capture the Californian governorship, and his much vaunted political comeback collapsed in ruins. He had taken a beating from the media ever since the Hiss case 16 years earlier; now he allowed his feelings to tumble out... "You won't have Dick Nixon to kick around any more," he told reporters, "because, gentlemen, this is my last press conference..."

Nixon joined the prestigious New York law firm of Mudge, Stern, Baldwin and Todd, where he made money, regained his self-confidence and kept his name before the public with a series of "business trips" around the world. He stayed close to his family; there is no evidence of any scandal in his private life. He travelled widely in the US and campaigned actively for Senator Barry Goldwater in the 1964 presidential election.

He continued to work hard for the Republicans in 1966, and in 1968, calling in his accumulated IOUs, he was nominated for the presidency. He had thus outlived his reputation as a loser, partly by beating Governor Romney of Michigan and Governor Rockefeller of New York in the primaries. President Johnson, battered by anti-war protests, announced that he would not run again. Later that year, Nixon won by a narrow margin, causing him to remark ruefully to his defeated opponent, Hubert Humphrey, that he knew how it felt. So began the most controversial presidency of American history. He took over at a time of social discontent and frustration with the unpopular war in Vietnam. He succeeded in calming cities and universities, and extracting the country from south-east Asia on terms that did not send it pitching headlong into isolationism as many had predicted. Instead, with the aid of his talented adviser, Dr Henry Kissinger, he tried to set foreign policy on a new course, seeking better relations with Russia and China and a sounder world economic system.

In time, these accomplishments may appear as a turning point, one that only a Republican with the stealth and intelligence to steal the opposition's clothing could have taken. At home, his accent on self-help and doubts about the high-spending social programmes of President Johnson were not challenged by his successors. If it was hard to defeat the populist Hubert Humphrey in 1968, victory over the amateurish radicalism of Senator George McGovern, his Democratic opponent for the presidency in 1972, was comparatively easy. Nixon's electoral margin in 1972 was overwhelming.

Almost immediately, everything went sour. As the Watergate scandal unfolded, doubts that had been murmured in the past began to be shouted out loud. Long-standing suspicions about his personal integrity were discovered to have a foundation in fact as the full details of his financial dealings were revealed. His reputation for unscrupulousness was confirmed by talks of "dirty tricks" and the activities of the White House "plumbers."

> He was, as all successful politicians must be, a consummate actor, untrusting and not to be trusted, but also highly intelligent

When such disclosures were combined with his increasingly unconvincing efforts to vindicate himself, Richard Nixon was transformed in the public eye from a respected, if unpopular, leader, to one who seemed to have violated the confidence of the people and the standards of his office on a scale unparalleled in American history. (The venality of Kennedy and Johnson, who preceded him, was as yet unrevealed.) The final straw came when Nixon was forced to admit that he had lied continuously for two years. He had no alternative but to resign. President Gerald Ford, who took over the White House, brought an end to legal proceedings by pardoning him.

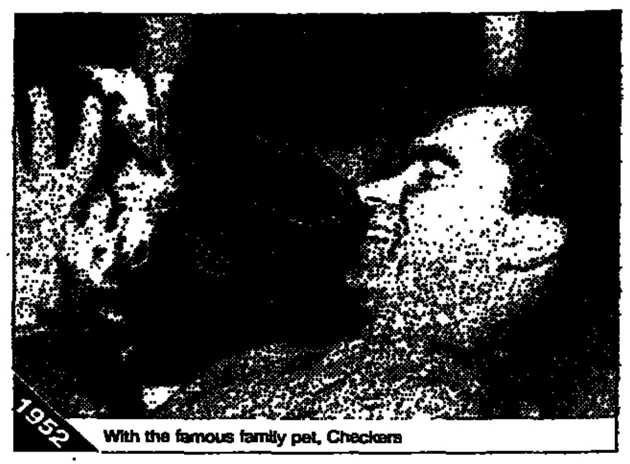
More than two decades of efforts to rebuild his reputation followed. He travelled, wrote books, confessed error before the entire world, through a televised interview with David Frost. He came to be seen as history may regard him – unscrupulous, yes, but tough, decisive, disciplined, daring, evidently indestructible. He was, as all successful politicians must be, a consummate actor, untrusting and not to be trusted, but also highly intelligent. His self-set goal was peace through a balance of power or, better, containment of communism. Tricky Dicky he may have been in life; he is perhaps, better remembered as Richard resurgent.

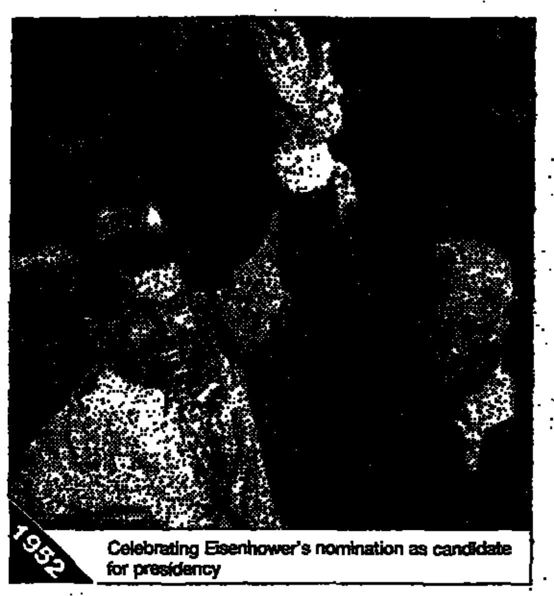
**Joe Rogaly**

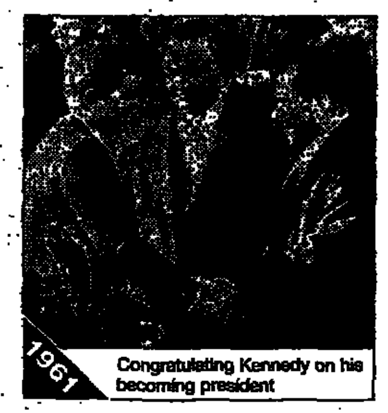
## Richard Nixon: communist-hunter, president, outcast, elder statesman

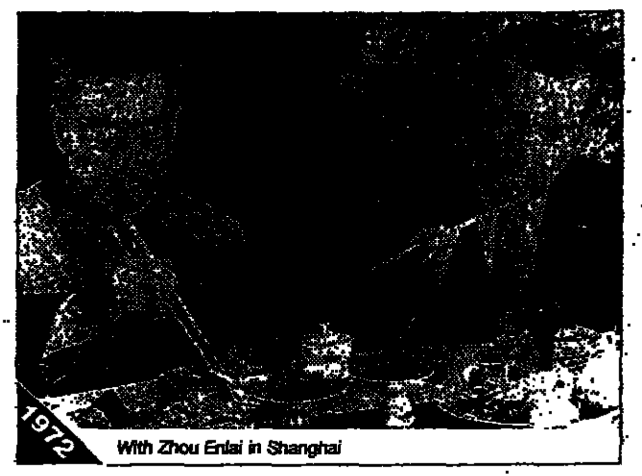

c1932 On the Whittier College football team


1948 Examining microfilm with chief investigator of House Un-American Activities Committee


1952 With the famous family pet, Checkers


1952 Celebrating Eisenhower's nomination as candidate for presidency


1961 Congratulating Kennedy on his becoming president


1972 With Zhou Enlai in Shanghai


1974 Going: reluctantly agreeing to hand over transcripts of White House tape-recordings


Going: announcing his resignation rather than face impeachment


Gone: leaving the White House


1994 Still travelling but looking frail; with parliamentarians in Moscow

**1913:** Born January 9, Yorba Linda, California. Works from age 10 to help support family and finance education.

**1931-37:** Whittier College, California, and Duke University Law School, North Carolina.

**1937-42:** Practises law in Whittier.

**1942-46:** Active service with US Navy.

**1946:** Elected to first of two terms in House of Representatives from California's 12th district. Accused incumbent of being soft on communism, a foretaste of pursuit of Alger Hiss, former state department official under investigation by the House Un-American Activities Committee.

**1950:** Elected as a US Senator from California after one of the dirtiest campaigns fought in US. Accused opponent of being a near-communist.

**1953-61:** Serves as vice-president under Eisenhower. In 1952 campaign, Ike said: 'You take the low road and I'll take the high road.' Accused of being backed by secret 'slush fund' financed by rich supporters. Made 'Checkers speech', using his daughter's cocker spaniel to appeal successfully to TV audience.

**1960:** Well-versed in international affairs after terms as vice-president; runs for president against Kennedy. Despite starting the election campaign with a big lead, he loses, albeit by a whisker.

**1961-62:** Practises law in Los Angeles and New York, while retaining high position in Republican party.

**1962:** Loses election for governorship of California: 'You won't have Nixon to kick around...because, gentlemen, this is my last press conference.'

**1962-67:** Works hard for Republicans, campaigning actively for Goldwater in 1964 presidential election.

**1968:** Calls in political IOUs and runs again for presidency, narrowly defeating Humphrey.

**1969-72:** President. Negotiates withdrawal from Vietnam.

**1972-74:** Re-elected by overwhelming majority over McGovern. Makes historic visit to China. Becomes entangled in Watergate scandals. Mishandles affair, especially the tape-recordings of his private White House conversations.

**1974:** Resigns rather than face impeachment. Receives unconditional pardon from successor, President Ford.

**1975-1994:** Slow, steady rehabilitation. Writes books. Wins sympathy by apologising for Watergate affair. Keeps travelling, writing, speaking. Dies as an elder statesman.

# Bitter harvest from seeds of mistrust

## Watergate brought out the best in the US system, demonstrating that the president was not above the law, writes **Jurek Martin**

Richard Nixon's legacy still lives in the great Washington institutions of politics, press and judiciary, all of which were instrumental in his downfall.

It is, on balance, not beneficial. Whereas Watergate itself brought out the best in the open American system, not least by demonstrating that no man, not even a president, was above the law, it also sowed seeds of mistrust which have produced some bitter harvests.

The practice of politics is now less than ever an honourable and respected profession.

Rapscallions there always have been, but Mr Nixon's breach of faith with his country was of a magnitude that reinforced the impression politicians are in the game not for the public good but for private or ulterior motives.

Good people are now deterred from serving by the amount of scrutiny to which they will be subject.

Those who have served, like the famous "class of 74" which swept into Congress in the first post-Watergate election intent on reform, have departed, disillusioned and cynical. The quality of the US Congress is not high at present.

Scandal, real and imagined, over- and underblown, has been the leitmotif of the last 20 years, often with the suffix "-gate" appended (Irangate, Iraqgate, Koreagate, Travelgate, Nannygate).

Private peccadilloes – with much less public import than John Tower's drinking or Gary Hart's womanising – routinely lead the news.

Watergate might have instilled a higher respect for the law in public officials, but too often has not.

In Iran-Contra, Oliver North had no compunctions in deliberately circumventing an Act of Congress prohibiting aid to the Nicaraguan rebels.

He got away with it, albeit on a legal technicality, and is now running for the Senate from Virginia.

Watergate cauterised the media. This was a real scandal unearthed by a handful of investigative young journalists, led by Woodward and Bernstein of the Washington Post. It is the beacon guiding the successor generation of reporters towards their Pulitzer prizes.

> Richard Nixon's breach of faith with his country was of a magnitude that reinforced the impression that politicians are in the game not for the public good but for private or ulterior motives

But for each revelatory success there have been huge misses, not least the savings and loan debacle of the 1980s, a wholesale and then mostly unnoticed looting of the public purse, and the early stages of the BCCI scandal in Atlanta, broken, as much as anywhere, in this newspaper.

Knowledge of these omissions has spurred the press further, now into the darker woods of Arkansas.

Watergate featured meticulous triple-sourced reporting, with editing to match, while today too much journalism constitutes the printing of any charge or rumour as equivalent to fact.

No individual has suffered more from this over the last year than poor Cardinal Bernadin from Chicago, pilloried by CNN among others over always suspect accusations of sexual molestation.

The allegations have now been completely withdrawn.

There was a concrete objectivity to the "high crimes and misdemeanours" of the impeachment facing Mr Nixon. Today's standards of wrongdoing are far more dubiously subjective, best described in Speaker Tom Foley's words as "the appearance of the appearance of impropriety".

Any contact between the White House and other departments over Whitewater comes into this category and is reported with much innuendo and rush to judgment.

Politicians, now too easily willing to settle scores dating back to Watergate, slaver at the scent of scandal, sometimes with gross hypocrisy. Nothing offends more than the sight of Senator Al D'Amato of New York, himself no stranger to controversy, taking the high moral road over Whitewater. At least Sam Ervin of the Watergate committee had no comparable skeletons in his closet.

Washington occasionally reflects on what Richard Nixon did right, in foreign and domestic policy, and even inadvertently, in appointing a justice such as Harry Blackmun to the Supreme Court.

But what he really left behind was a perverse vacuum. Lacking him to kick around, the capital now goes after everyone else in sight.

## Government to close for day of funeral in California

# US day of mourning declared

**By George Graham in Washington**

The US government will close on Wednesday for a "national day of mourning" for former President Richard Nixon.

Mr Nixon will be buried on Wednesday afternoon in Yorba Linda, California, his birthplace and the site of the Nixon memorial library.

President Bill Clinton who will attend the funeral – along with former presidents Gerald Ford, Jimmy Carter, Ronald Reagan and George Bush – plans to deliver a eulogy. The Reverend Billy Graham, the evangelical preacher who was a close friend and adviser to Mr Nixon, will preside over the ceremony.

As flags lowered to half-mast across the US, Mr Nixon's compatriots wrestled uncomfortably with memories of a man who had inspired not only respect for his political skills and foreign policy achievements, but also loathing for his manipulation of anti-communist fears and for the abuse of executive power that led to his resignation from the presidency in 1974.

"He suffered defeats that would have ended most political careers, yet he won stunning victories that many of the world's most popular leaders have failed to attain," Mr Clinton said in an official proclamation on Mr Nixon's death.

Mr Clinton thanked Mr Nixon "for his wise counsel on so many occasions on many issues," and described his recent books as presenting "a cogent picture of emerging global politics that will serve as a guide for policy makers for years to come".

But Mr Nixon's literary testament, to be published next month under the title Beyond Peace, is highly critical of Mr Clinton's administration in both in foreign policy and in domestic affairs.

Excerpts from the book published in Time magazine describe the US involvement in Somalia as "a lesson in how not to conduct foreign policy".

"What began as a highly popular humanitarian relief program under President Bush became a highly controversial UN nation building project under President Clinton," Mr Nixon wrote.

Mr Nixon also denigrated his successor's healthcare reform plan. If enacted, he wrote, it would be "less a prescription for better healthcare than a blueprint for the takeover by the federal government of one seventh of the nation's economy".

Funeral arrangements for the former president are a much less controversial matter today than they were in 1974, when Mr Nixon fell ill shortly after resigning his office. Congressional leaders at the time feared an unseemly row over the extent to which state honours should be accorded to the disgraced politician.

Twenty years on, the Congressional leadership had already begun to make arrangements for a lying in state under the Capitol dome, but Mr Nixon's own wish for a more private ceremony in Yorba Linda prevailed.

# Warm praise for bold foreign policy moves offered from world leaders

World leaders praised Richard Nixon at the weekend for his bold foreign policy moves, with some of America's Cold War enemies most warm in their praise, AP and Reuters report.

China's Communist leaders hailed Nixon as a man of "strategic foresight and political courage" in messages of condolences. Chinese President Jiang Zemin and Premier Li Peng praised Mr Nixon for his 1972 breakthrough visit to Beijing that began rapprochement between China and the US and for his efforts to improve relations even after he resigned. His last visit was in April 1993.

Mr Nixon also was warmly remembered in Russia. President Boris Yeltsin said he was "one of the first major world politicians who have understood Russia and understood what it was fighting for".

Mr Yeltsin had refused to meet Mr Nixon during his 10-day trip to Russia last month because the former president had met with some of Yeltsin's political opponents. But Mr Nixon is credited with establishing the policy of detente toward the Soviet Union during his presidency and, in recent years, with pushing for US aid for Russia.

Even India, whose relations with the US reached an all-time low during Mr Nixon's administration, commended the former president for taking bold steps in international affairs.

"Although President Nixon's term was marked by a certain controversy, he was well known in international affairs as having been courageous enough to take bold steps such as normalisation of relations with China and steps towards East-West detente," Foreign Ministry spokesman Shiv Shankar Mukherjee said.

Israeli Prime Minister Yitzhak Rabin, who was ambassador to the US during Mr Nixon's presidency, praised his support of Israel in the 1973 Yom Kippur War "in the face of the opposition of most of the world".

"I am convinced that history will recall the great role he played on the international scene," French President François Mitterrand said in extending condolences to his family.

Mr Boutros Boutros Ghali, secretary-general of the United Nations, extending his condolences, called Mr Nixon's impact in international affairs "especially significant."

Sir Edward Heath, who was Britain's prime minister in 1970-74, hailed Mr Nixon's diplomatic skills. "He discussed policies with all those likely to be affected and took into account their views. One never felt one had been stamped on or ignored," he told BBC radio.

But Hanoi – where northern Vietnamese remember Mr Nixon as the man whose bombers pounded them in 1972 during the Vietnam War – officially closed its account with Mr Nixon with a terse five-word statement.

"May he rest in peace," a Foreign Ministry spokesman said.

# Bank may use shares in bid for building society

By John Gapper, Banking Editor

Lloyds Bank may try to pay Cheltenham & Gloucester Building Society investors in preference shares if its £1.8bn cash bid to take over the society is blocked by the High Court in a hearing set for May 23.

Legal advisers to the two organisations believe that although the 1986 Building Societies Act was intended to prevent cash bids for societies, the law was not drafted precisely enough to stop Lloyds making cash payments.

The 1.4m C&G savers and borrowers who are eligible under the Lloyds offer could be paid in preference shares if the bank is barred from paying cash. It could then offer to exchange the preference shares into cash on the day of issue.

The Treasury said yesterday that the intention of the 1986 act had been to prevent cash bids causing "speculative flows" of deposits. Since the Lloyds bid was unveiled last Thursday there has been speculation as to the best society in which to open an account in anticipation of a bid.

The Treasury said it was awaiting the outcome of the court case before deciding whether to take any action in response to Lloyds' bid. It is already reviewing mergers and acquisitions provisions in the 1986 act. The act prevents a successor company to a building society paying cash to people who have been members of a society for less than two years. The successor company to C&G under the Lloyds' bid would be the C&G subsidiary of the bank. But the act does not specifically bar the holding company of the successor – in this case Lloyds – from making cash payments. Nor does it prevent the successor company making payments in the form of shares to former members of the society. Although the latter option was chosen by Abbey National in its 1988 flotation, Lloyds wants to pay cash to absorb its surplus capital. If it distributed preference shares instead, some recipients might choose not to swap them for cash. Lloyds said yesterday that it could not comment on issues involved in the court case. However, both the bank and C&G have received strong legal guidance that the bid is unlikely to be blocked.

If the government decided to tighten the wording of the 1986 to prevent cash bids for other societies, it might be able to introduce changes under the Deregulation Bill which could be passed this autumn.

The Treasury said that changes on wholesale funding limits placed on societies and minor amendments to the 1986 act might be made under the Deregulation Bill. But substantial changes to the act would require fresh legislation.

# EU import quota may cause safety clothing shortage

By Richard Donkin, Labour Staff

New European Union import quotas could lead to a shortage of industrial gloves, with a potential knock-on effect for industries where protective clothing is needed to comply with health and safety regulations, according to British glove importers.

The potential problem has arisen because of the imposition of EU-wide quotas on the import of industrial leather gloves from China, a popular source of good quality general purpose protective gloves.

The quotas, opposed by the UK, were imposed after stiff lobbying from fashion glove manufacturers, particularly in southern European countries such as Italy and Portugal.

When the industry was last faced with a shortage 10 years ago – when Russian manufacturers began buying heavily into the leather market – importers turned to cotton, reinforced cotton and PVC gloves. But failures of the cotton crops in Pakistan and China are leading to worldwide shortages and higher cotton prices.

"The shortfall in cotton supplies will lead very quickly to an acute shortage of gloves," said Mr Peter Ward, secretary of the Association of Protective Clothing Importers.

A UK-imposed quota last year officially allowed about 166,000 pairs of Chinese gloves into the country. Mr Ward said the real figure was nearer 5m pairs – out of total imports of about 22m – because most were arriving through back-door routes such as Germany and the Netherlands which did not have quotas.

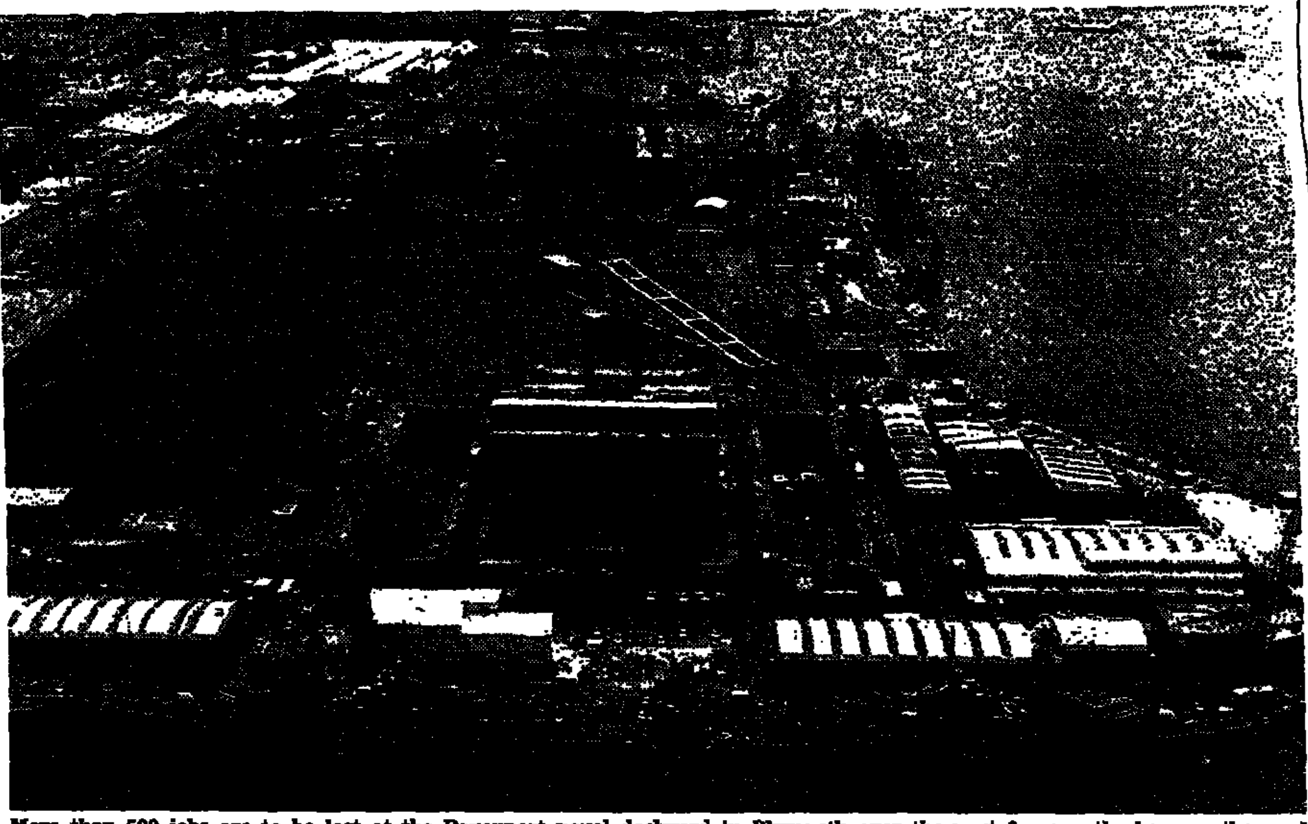
Mr Ward says the new quota – Ecu 76m for the whole of Europe – is far too low and that importing countries will hang on to their own stocks instead of re-exporting them.

The Department of Trade and Industry agreed with Mr Ward, but the extent of the problem is disputed by some UK manufacturers.

Mr Brian Bennett, sales director of Bennett Safety Wear, of Crosby, Liverpool, and chairman of the industrial section of the National Association of Glove Manufacturers, said: "Rather than a shortage, I would expect the main effect to be one on price. We have other important source countries for imports such as India, Pakistan, Thailand and Hong Kong."

Industrial leather gloves are imported at around 50p a pair. It is widely assumed that those imported from Hong Kong are from China anyway, because importers say Hong Kong does not make gloves.

Mr Bennett said too many cheap industrial gloves were being dumped in the UK. He said better quality gloves could be recycled.



More than 500 jobs are to be lost at the Devonport naval dockyard in Plymouth over the next few months because the yard will have insufficient work after completing an overhaul of the aircraft carrier HMS Illustrious. Devonport Management, which operates the dockyard, has told staff that job losses are likely, and a formal announcement is expected in the next month

# Fear of £11bn Lloyd's US shortfall

By Richard Lapper

Lloyd's of London could have a shortfall of at least £11bn in its reserves set aside for future US asbestosis and pollution claims, a report to be published today warns.

The report estimates the insurance market's total liabilities from US asbestosis and pollution at £15bn, against reserves of about £4bn.

"Policyholders will be dismayed to learn of the modest scale of financial resources that Lloyd's has available to meet legitimate claims," says the report, prepared by a team headed by US lawyer Mr Randolph Fields as part of a research programme under the auspices of the financial services department at London Guildhall University.

Lloyd's Names, the individuals whose assets support the market, have already lost more than £7bn in the past five years and will be faced with huge extra calls on their funds, the report says.

The biggest legal action by loss-making Lloyd's Names begins tomorrow, when a case brought by 3,095 members of syndicates formerly managed by the Gooda Walker agency comes to court.

Lloyd's remains confident that its plans to set up a new reinsurance company – to be known as NewCo – into which most of its asbestosis and pollution liabilities will be transferred will be successful.

## Britain in brief

### DTI initiative delays worry industrialists

A backlog is building up on a number of important initiatives promised by the Department of Trade and Industry, headed by Mr Michael Heseltine. The delays – some of many months – are creating uncertainty and threatening to damage business, industrialists say.

The longest delay – 21 months – is over plans to privatise the Post Office. The Post Office's future was reviewed by the DTI in the summer of 1992 but the department is yet to decide on how it should be privatised.

Other areas affected are the domestic gas market, where deregulation plans are now several months overdue, and the power generation market, where a review of the nuclear industry promised for last December has yet to materialise.

The DTI was last week unable to give any indication of when further announcements on these initiatives might be expected. A senior official said: "With all these reviews it is more important to get it right than stick to an artificial timetable."

### Warning over recycling targets

The UK government's targets on recycling packaging could be meaningless until a consistent system for defining waste is devised, packaging companies warn.

The industry is trying to draw up proposals for recycling waste packaging before the government imposes targets. Mr John Gummer, environment secretary, has told industrialists to find ways of recycling between 50 per cent and 75 per cent of packaging waste by the year 2000.

Mr Lindsay Fortune, environmental affairs co-ordinator at Courtaulds, the textile group, and deputy chairman of Incpen, the packaging trade association, said: different definitions of waste were used for different types of packaging.

### BAe airport plan faces opposition

The battle over British Aerospace's attempt to convert its airfield at Filton, north Bristol, into a commercial airport is due to come to a head on Wednesday amid calls for a public inquiry.

The planning committee of Northavon council, the local authority, will meet then to decide on BAe's application. BAe wants airlines to offer scheduled flights carrying up to 350,000 passengers a year, and to have night-time freight services.

BAe's plan is supported by business groups and Rolls-Royce – which has its Patchway works employing 5,500 people next to the airfield. BAe says it needs to ensure better use of the airfield – principally used now for company flights – to ensure the viability of its own Filton plant, which employs about 5,000. There is opposition from local residents concerned about noise, pollution and congestion.

### RUC acts over Stalker disclosure

Sir Hugh Annesley, chief constable of the Royal Ulster Constabulary, goes to the Northern Ireland High Court this week to try to head off disclosure of the Stalker Report's allegations that the security forces operated a shoot-to-kill policy against terrorist suspects in the early 1980s.

Sir Hugh is to apply on Friday for an order to set aside a subpoena to produce the report at an inquest. The subpoena was issued by coroner Mr John Leckey to help him at three inquests that were due to resume in Craigavon, County Armagh, last Friday.

The inquests were adjourned pending the outcome of Sir Hugh's application.

### Bank return

Bankers Trust, the US commercial bank, said yesterday that it had recovered five stolen share certificates worth some £9.5m.



## LEGAL NOTICES

In the High Court of Justice No. 001877 of 1994
Chancery Division
IN THE MATTER OF AIRTOURS plc
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 22nd March 1994 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the share premium account of the above-named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at The Royal Courts of Justice, Strand, London WC2X 2LL on Wednesday the 4th day of May 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said cancellation of share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 25th day of April 1994.
Addleshaw Sons & Latham
Dennis House, Marsden Street
Manchester M2 1JD
Ref: RNPL/JXC
Solicitors for the Company

In the matter of Beaure Holdings Limited
and
In the matter of the
Cyprus Companies Law Cap 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 24th day of May 1994 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Haji Roussos FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 25th day of April 1994
A Haji Roussos
Liquidator

No. 00991 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF BARRY WEHMILLER INTERNATIONAL PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

Notice is hereby given that the order of the High Court of Justice (Chancery Division) dated 13th April 1994 confirming the cancellation of the share premium account of the Company was registered by the Registrar of Companies on 15th April 1994.

DATED this 25th day of April 1994.
Addleshaw Sons & Latham
Dennis House
Marsden Street
Manchester M2 1JD
(Ref: RNPL/JXC)
Solicitors for the Company

NOTICE TO CREDITORS TO SUBMIT CLAIMS
IN THE MATTER OF MERCADIAN SECURITIES (HOLDINGS) UK LIMITED
AND
IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company which is being voluntarily wound up, are required, on or before the 9th day of May 1994, to send in their full forenames and surname, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned, T R Harris and N J Vooght of Coopers & Lybrand, 20 St Andrew's House, St Andrew St, London EC4 3AY the Joint Liquidators of the said Company, and, if so required by notice in writing from the said Liquidators, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 18th day of April 1994
Signature of Liquidators
T R HARRIS, N J VOOGHT

Notice of appointment of liquidator
Voluntary winding up
(Members or Creditors)
Pursuant to section 109 of the Insolvency Act 1986

Company Number: 2465496. Name of company: Mercadian Securities (Holdings) UK Limited. Previous name of company: Mercadian Securities International Limited. Nature of business: Financial Services. Type of liquidation: Members. Address of registered office: Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY.

Liquidators names and addresses
T R Harris, Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY
N J Vooght, Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY
Office holder numbers: 2129 & 6339
Date of appointment: 8 April 1994
By whom appointed: Members
Date: 18 April 1994

Notice of appointment of liquidator
Voluntary winding up
(Members or Creditors)
Pursuant to section 109 of the Insolvency Act 1986

Company Number: 2582347. Name of company: Mercadian Securities International Limited. Previous name of company: Printlook Limited. Nature of business: Financial Services. Type of liquidation: Members. Address of registered office: Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY.

Liquidators names and addresses:
T R Harris, Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY
N J Vooght, Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY
Office holder numbers: 2129 & 6339
Date of appointment: 8 April 1994
By whom appointed: Members
Date: 18 April 1994

## COMPANY NOTICES

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $100,000,000 GUARANTEED FLOATING RATE NOTES 1998 (Extendible at the Holders Option to 2001)

The interest rate applicable to the above Notes in respect of the interest period commencing 25th April 1994 has been fixed at 4 15/16% per annum. The interest amounting to US $123.91 per US $5,000 principal amount and to US $247.81 per US $10,000 principal amount and to US $2478.13 per US $100,000 principal amount of the Notes will be paid on 25th October 1994 against presentation of Coupon No. 6.

BANK LEUMI (UK) Plc
Principal Paying Agent
bank leumi בנק לאומי

REPAP ENTERPRISES INC.
US $200,000,000 FLOATING RATE NOTES DUE 1997

For the period 19th April 1994 to 19th July 1994 the Notes will carry an interest rate of 6.9375% per annum.
(USD 2904.09 per USD 250,000).

Agent Bank
Barclays Bank PLC
BGSS Depository Services
PO Box 1043, Windsor Road
Trowbridge, Wiltshire BA14 0YT

هكذا من الاصل

# MANAGEMENT

**Patti Waldmeir** reports on the affirmative action policy at South African Airways

## In the cockpit of change

Any air hostess, anywhere in the world, would have had trouble dealing with these two young men: they had been drinking, they were angry at a delay in take-off, they wanted to smoke (on a no-smoking flight) and drink (before the aircraft left the tarmac, against airline policy).

But for a young black stewardess wearing the uniform of South African Airways, flagship of apartheid and international symbol of Pretoria's misrule, it was doubly difficult to tell these two slightly drunk Afrikaner bucks that they could not have what they wanted. She did it with tact and charm, giving them crisps to appease their nicotine craving and a pretty smile to ease the pain. In the end, they were won over – and SAA's policy of affirmative action had two new converts.

There are few more obvious signs of the impending change of government in South Africa than in the cabins of SAA, the state airline. Suddenly, there are large numbers of black faces where Afrikaans maidens previously held sway; and the new integrated cabin crews demonstrate an obvious rapport, and an oblivion to racial distinction, which is a model for the nation. Many have joined the same trade union, a traditionally black body, the South African Railways and Harbours Workers Union (SARHWU).

Only 10 years ago, when SAA hired its first non-white (in a more than menial position), the airline had to get parliamentary approval for the move. Today, says Martin Sebesho, SAA's executive manager (human resources), there is a blanket ban on hiring whites. To employ a white in any position requires board approval.

Sebesho notes that this policy is far from the norm for South African business; few other companies – except those with government shareholders – are making such drastic efforts to restructure racially. Only 3 per cent of South African managers are black, and that figure has not changed much despite the new awareness of affirmative action.

Model for the nation: SAA's integrated cabin crews have an obvious rapport

But SAA, with its high public profile and government shareholder, is a slightly different case. "We suspect we are going to have a new government and that government will be our shareholder and being predominantly black it will demand a lot of compliance with affirmative action," says Sebesho, with some understatement. "By the turn of the century, the racial composition of SAA must reflect the racial composition of the country," he says, noting that integrating the cockpit is the biggest challenge.

SAA recently hired its first five non-white pilots, but the other 600 are white. The company plans to spend R3m (£557,000) a year to train 10 new black pilots per annum. Integrating cabin staff is easier, because of the lower level of technical skills involved: some 230 of 1,400 cabin staff are non-white.

But, complains Sebesho (who is himself black), apartheid's legacy of poor non-white education and skills training makes hiring blacks difficult. "We don't have a pool of blacks who are readily available to choose from," he says, adding that SAA could find only 40 blacks in the entire country to interview as prospective pilots, let alone hire.

SARHWU, the union which represents most black SAA employees, is unhappy about the company's efforts even so – and not for the obvious reasons.

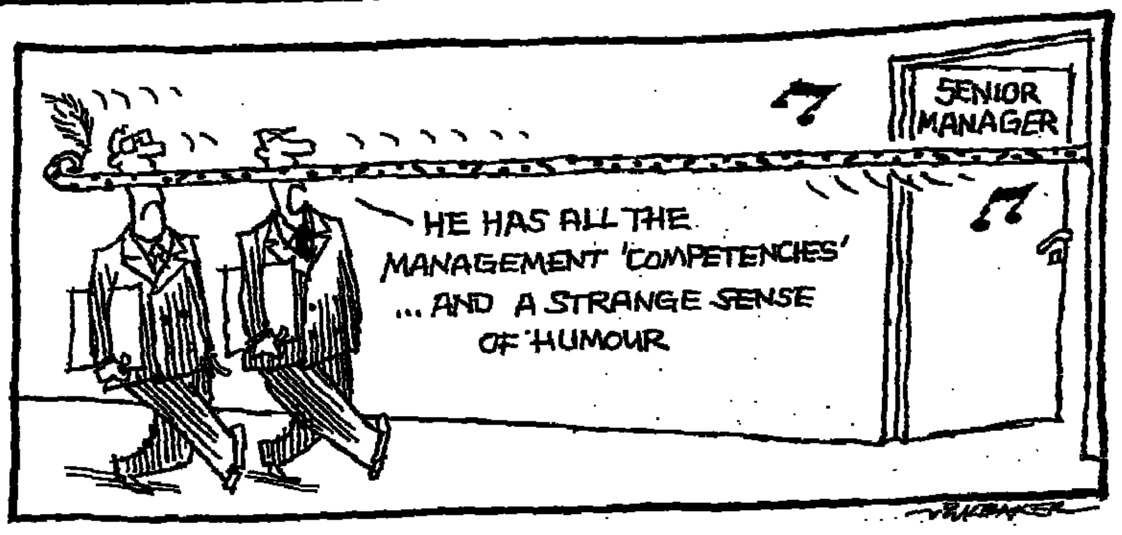
True, SARHWU complains that SAA hires whites on contract for vacancies which cannot be filled by competent blacks. But that is not the union's main complaint. "Management says affirmative action means you must not hire whites. That is not my understanding: affirmative action means every worker must progress, black and white," says Nelson Ndisa, SARHWU president, who argues that all SAA employees should receive in-house training to upgrade skills.

"If affirmative action is seen as taking white jobs it can be detrimental, it can cause strikes," Ndisa says. Union official Ewan Abrahamse chips in: "In the end, we'll bear the brunt of the racial tension in the workplace. If we cannot have a better understanding between whites and blacks, the country will be ruined," he concludes.

According to SARHWU's logic, those most committed to rapid affirmative action are the least likely to integrate successfully: "The people who are leading in affirmative action [like SAA] were also at the forefront of apartheid," says Abrahamse.

He might have been quoting from a recent African National Congress policy paper: "If well handled, affirmative action will help bind the nation together and produce benefits for everyone. If badly managed, it will simply re-distribute resentment, damage the economy and destroy social peace."

At least unions and management agree on one subject: the need to protect the company from nepotistic employment practices forced on it by the new government (and SAA's new shareholder). "We want to have a clear plan to help us avoid being a political pawn. Then the chance of being forced to compromise on competency will be minimised," says Sebesho. SARHWU officials agree.




## Game rules in black and white

**Lucy Kellaway** on attempts to reveal the secrets of success and list them as tangible, attainable objectives

If you want to make it as a senior manager at IBM UK in the future, you will need six things. Intellect, tenacity, vision, impact, skills in active management and skills in general management.

Last week the company's top brass agreed that these should be the key to success at Big Blue. From now on some 70 senior managers just below board level will use these measuring sticks to determine their progress, to assess areas for improvement, and even to settle the size of their bonus.

The six qualities are known in the jargon as "management competencies". To most people the phrase is a turn-off. Yet to IBM, Unilever, BP, NatWest, GKN and to a growing number of other big companies, management competencies point the way to an exciting future.

They are being seized upon as a way of making all managers, even the most senior ones, do a better job. They are being used to help recruit the right people, to train them in the right skills, and even to determine the levels of pay.

At a conference in London earlier this month, Norman Ashton, skills manager of IBM, enthusiastically described competencies as the vital link between a company's overall business plan and the management of its people.

But what are competencies? They are the things you need in order to do a job properly. They may include skills, knowledge, understanding and will-power. As such, they sound neither very profound nor very new.

What is new, however, is the way that companies are drawing up precise lists for each management position, and using them as a starting point for most of the other traditional personnel tasks.

The driving force behind them has been the delayering of organisations. At IBM the interest in management competencies has been prompted by the mass replacement of functional managers with general managers. At other companies the motive has been similar. "As a result of flattening structures, we need general managers who can be transferred from one job to another," says Ray Atkinson, head of management development at GKN.

Despite this enthusiasm, the attempt to define and measure general management skills is controversial. Critics insist that competencies are all very well for junior and technical jobs, but are no use at the top, where abilities are "God given". Any attempt to nail the qualities down may miss the real – intangible – secret of excellence.

There is further debate about whether competencies are the same for all managers in all organisations, or whether they are company specific. An attempt by the Management Charter Initiative to provide standard competencies for all middle managers has been attacked by some for being too general to be useful – it has identified several hundred in all.

"People who have done very well in one company with a specific culture have very high failure rates when they move to other companies," says Alan Warner of training consultancy MTP, which organised this month's seminar. A recent survey carried out by MTP of 100 companies showed that most believed that the skills needed in their company might be different from those required in another.

Companies are compiling lists in different ways. Many see risks in basing the desired skills on the actual ones of present managers. "You find the people who got promoted often have the wrong competencies. They just talk a good game," says Warner.

Many companies employ specialist consultancies to help their managers identify the right skills. Others cast their nets wider. IBM has taken the bold step of asking its customers who have direct dealings with IBM employees what they think are the most important qualities.

Heather Bell from Hay Management Consultants warns that the list should not be considered as an end it itself. "The hard bit is in rolling it out," she says. "At the moment the effort is going into making the model pretty. But the important part is in applying it to performance appraisal, pay and so on."

BP, one of the first British companies to use competencies at the top, applies them through a system of "360 degree" evaluation. Each of its senior managers is judged on a list of nine competencies – including leadership and team-building skills – by their supervisors, peers, and by their underlings. If there are gaps in their abilities, training is provided.

For the more senior people this is likely to be individual coaching provided by an outsider. So far the company is hesitating to tie the system to pay.

"We won't hook it up until competencies are in the air conditioning," says David Nicolson, development consultant at BP Oil.

IBM is planning to follow BP in using the views of both bosses and subordinates to assess its managers against the yardstick. It has divided each of its six competencies into three levels of achievement, and specified that different levels are appropriate for different jobs.

One of the advantages of competencies is that they provide people with certainty and clarity. "Knowledge of what I need to be good at in BP oil is useful," says Nicolson. "Competencies involve a common language, revealing the rules of the game. That has been missing in our organisation which has been wrestling with uncertainty."

Getting managers to talk the common language takes time – Nicholson estimates it will take up to five years before everyone is quite at home with it.

IBM is more optimistic. The remaining staff who have survived the purge and the radical changes at the company are now looking on the new system as a port in a storm: "They've had the change. Now we are looking for the framework," says Ashton.

One of the primary uses of competencies is to match training to needs. Yet many senior management competencies do not lend themselves to training. "You can teach a turkey to climb a tree, but it is easier to hire a squirrel," says Bell.

Yet Nicolson is optimistic about what can be done. "We shouldn't despair about teaching managers personal skills. In many areas we can help them and give them exposure to lift their competence," he says.

Even the greatest fans of management competencies admit that there are dangers involved. Ashton warns against making the system too complicated. "If you turn it into an industry you get bureaucracy, and then you get switch-off."

# THE BUSINESS OF CHANGE

## HOW INTERNATIONAL COMPANIES ARE HELPING EASTERN EUROPE TO ADAPT TO THE FREE MARKET

THE PRINCE OF WALES BUSINESS LEADERS FORUM

After half a decade of unprecedented economic and social change Central and Eastern Europe remains a region of diversity, opportunity and challenge for international companies. The opportunities are underlined by a recent survey of top European business leaders on anticipated *overseas investment - 73% of* those questioned expected to increase investment in the region, putting it narrowly behind Asia as a leading investment destination.

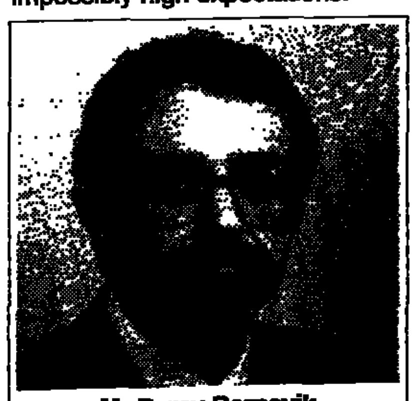
The phenomenal rate of privatisation and - in theory - the liberation of 400 million potential consumers, a well-educated, competitively waged and technically skilled workforce, and the supply of cheap natural resources underline the opportunities for business.

But scepticism about the market economy and the aims of international investors is growing, and the social and political instability that may lead to cannot be brushed aside. For example, a recent survey by the Polish Academy of Sciences found that 48% of Poles believed that economic transformation had left them "at a loss" or narrowed their opportunities.

### SCEPTICISM ABOUT MARKET ECONOMY

The abolition of the old Communist structures and the large scale privatisation and restructuring programmes are only part of the story. There is a growing need to assist the development of modern free market economies by investments in people and by encouraging the emergence of a thriving enterprise culture and an ethical business framework. The losers, not just the winners, are increasingly voicing need to share in the benefits of economic reform.

An increasing number of international investors, with a view to being in the region for the long term, are developing a "corporate citizenship" approach to doing business in Eastern Europe. This helps to establish their credentials as well as their brands and to cement stakeholder relations and create sustainable goodwill against a background of often impossibly high expectations.



**Mr Percy Barnevik**
President & Chief Executive Officer ABB Asea Brown Boveri Ltd.

International companies like ABB Asea Brown Boveri, at the forefront of investment opportunities in the region, are sensitive to the need for companies to develop their role as corporate citizens in the region's emerging markets. ABB's chief executive, Percy Barnevik, recently commented ; "It is difficult for Western Europeans to comprehend the magnitude of economic and social change which is taking place...in Eastern Europe. The more quickly and more strongly we from the West commit ourselves to assisting this transition, the greater will be the economic opportunities..."

### AMERICAN, EUROPEAN, ASIAN FIRMS WORKING FOR CHANGE

Other leading international companies operating and selling in the region - such as United Biscuits, BP, Grand Metropolitan, Cable & Wireless, American Express - are testimony to the growing awareness amongst international companies that to take advantage of the opportunities the region has to offer, private enterprise has to be seen to offer the region and its citizens something in return. This has led to many companies developing strategies that actively support mainstream commercial investments with infrastructural and social investments.

The key trend which links many of these "corporate citizens" is a strategy based on enhancing their core business in emerging markets, *not on traditional corporate* philanthropy or altruism.

The stakes for international companies operating in the region are high. Big business - both international and local - needs to prove to the region's increasingly sceptical citizens that the market can work for everyone, not just an emerging elite. Many remain to be convinced that capitalism can be responsible, and that business can be both ethical and successful. It could just be that the new corporate citizens are not just benefiting themselves, but the wider interests of international business and global free enterprise.

### SHELL HUNGARY LAUNCHES YOUTH ENTERPRISE INITIATIVE PIONEERED IN UK

Youth employment, long a familiar problem in the UK and US, is a recent but growing concern for Central & Eastern Europe. Just as in inner-city London or Los Angeles, self-employment schemes are now being seen as a real solution in countries like Hungary.

Inspired by Shell UK's successful Livewire scheme, which aims to help young people into self employment, Shell Hungary last year launched the Eletpalya project in partnership with Hungarian youth projects organisation the Millennium Foundation. Each committed 5 million Hft (about £33,800) to cover costs for the first year of operation. Shell also provides office space and a seconded manager to run the project.

Focussing of enterprise opportunities for 18-30 year olds Eletpalya aims to promote business values amongst the young, helps them with business plans and to set up and run their own businesses. Shell Hungary and other participating companies and organisations encourage managerial staff to act as tutors to young entrepreneurs - employee volunteering rather than cash donations is the key, and company benefits include personal development of the volunteer staff and enhanced corporate reputation.

Officially launched in mid-1993, and supported by a small-scale press and radio campaign and leaflets distributed through colleges and discos, 155 young people had registered with Eletpalya by February this year with 39 young hopefuls now being partnered by volunteer business advisers.

### MANAGING INDUSTRIAL CHANGE: HOW COMPANIES ARE DEALING WITH THE CHALLENGE OF INDUSTRIAL RESTRUCTURING IN EASTERN EUROPE

The pressures for industrial change are more intense and more complex in Central and Eastern Europe *than anywhere* else in the world. In the last four years, companies throughout the region have been seeking ways to rapidly change the entire structure of their operations and culture of *their employees.*

The large state firms of the planned economies are still in many cases struggling for survival by embarking on a variety of forms of industrial restructuring.

Restructuring and modernising outdated plants and factories often leads to the need to shed employees, causing unemployment in communities ill equipped to cope - particularly in the region's many one-company towns. Companies often find themselves in need of advice on how to minimise these problems. Strategies and management systems need to be developed to plan for redundancies and minimise job losses and to support those who have been made redundant.

The following examples illustrate some of the different approaches that companies are taking to the challenge of restructuring:

ABB Elta, Poland; ABB approached the problem of training local managers in new methods of operation by using shadow management techniques - i.e. the Polish management was supported by a team of ABB managers with international experience.

ABB has also found successful restructuring relies on the provision of good management information to determine progress being made in profitability, customer service, quality, inventory, safety and the environment. It is an approach to management which demands the sweeping aside of the heavily demarcated business structures of the old regime.

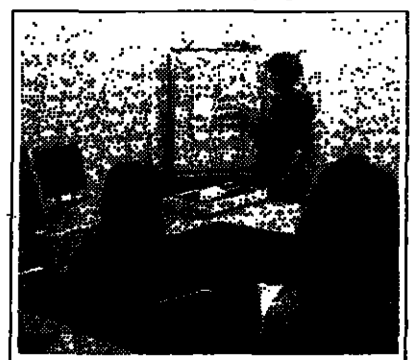
Redundancies as a result of restructuring are coped with by ABB in a number of ways. The company offers career counselling and outplacement training and gives support to organisations in the community that focus on enterprise training and reskilling. But the key is really dialogue - dialogue between all parties affected by the consequences of restructuring, including former and current employees, the educational sector, regional development associations, central and local government and voluntary bodies. Because only with a concerted approach by all these groups does ABB believe it will be possible to offer real alternatives for the losers in the restructuring process.

Car Manufacturers; a wide range of car companies, such as Suzuki, GM, VW, Ford and Fiat have established joint ventures or wholly-owned operations in Eastern and Central Europe. The pressure is on to source components locally, making it important *that investing companies assist* local suppliers in meeting the exacting quality and Just In Time inventory control standards demanded in the world marketplace. In this way, local companies *are finding they quickly learn* and apply western management techniques.

### PRINCE CHARLES TO OPEN "SWORDS INTO PLOUGHSHARES" SMALL BUSINESS PROJECT IN HUNGARY.

### FORMER RED ARMY BARRACKS REOPENS AS ENTERPRISE CENTRE.

Large companies can play a powerful role in supporting new small business venture, thereby creating a firmer foundation on which the economies of Eastern Europe can build. An excellent example of how business has helped in the development of a vibrant small business community is provided by the *Kecskemet barracks project.*



New small business entrepreneurs receive training and advice as part of the support programme offered by the Kecskemet barracks project.

Kecskemet lies at the heart of Bacs-Kiskun county, an agricultural area some 60 miles south of Budapest. Up to 1990, local industry was dominated by large state enterprises - fewer than 300 firms provided 70% of the country's total employment. As more and more of these large enterprises went bankrupt it became clear that future prosperity would *depend by and large on a new* generation of small business entrepreneurs.

Not far from the centre of Kecskemet lay a vacated army barracks, formerly occupied by Soviet officers, and a Communist Party training centre. It proved an ideal site for conversion into small business incubator units and a linked business training facility.

A new organisation, the British Hungarian Small Business Foundation, was set up to manage the project. It brought together the local authorities, the Business Leaders Forum and local business leaders. The British Government's Know-How Fund enabled UK consultants with experience of private/public partnerships to be appointed to supervise the conversion.

Part funding was provided by BP, Cable & Wireless and ARCO. The town labour centre and the British Hungarian Small Business Foundation are jointly committed for one year to paying the salaries of staff employed at the incubator house, including a full time manager. After that, it is hoped the occupancy rates (80% of the capacity is *already committed for* occupancy) will be sufficiently high to make the centre self-financing.

The Kecskemet project demonstrates in a tangible way the value of business contributing to the regeneration process. Scaling up that contribution by developing similar programmes of business start up support in other parts of the country, could play an important role in nurturing an even bigger pool of new young entrepreneurs.

*This week the barracks will be* officially opened by The Prince of Wales and Hungary's President Göncz. The Prince's Business Leaders Forum sees the project as a model for similar initiatives elsewhere in the region.

### GLOBAL BUSINESS, WITH A GLOBAL VIEW

A group of leading international CEOs from Europe, the US and Asia have come together to support an international organisation dedicated to promoting the business case for good corporate citizenship in the world's key emerging markets, as a natural part of successful business operations.

The Prince of Wales Business *Leaders Forum was initiated by* Prince Charles - a long time supporter of business involvement in the community - in February 1990. Since then, some of the key achievements of the Forum and its international members in Eastern Europe include:

**POLAND, HUNGARY, THE CZECH REPUBLIC AND SLOVAKIA**
the Forum has established networks of over 90 international and local business leaders to take action to help regenerate communities through practical education, training, enterprise, urban regeneration and environment projects.

**ST PETERSBURG, RUSSIA**
the Forum has mobilised a programme of international business assistance to support cultural and economic regeneration projects as a partnership with the City.

**THROUGHOUT EASTERN AND CENTRAL EUROPE**
*associated businesses have* provided training for over 1,000 Eastern & Central European managers.

**CZECH REPUBLIC**
members have pioneered health, safety and environment training programmes, initiated a national environment award and pioneered a University careers service for over 800 students - the managers of tomorrow.

**HUNGARY**
*members have organised enter*prise and management training, and initiated a national paper recycling service.

**JAPAN**
*the Forum has mobilised support*ers to provide management training for over 40 young leaders from Eastern Europe over three years ■

### THE PRINCE OF WALES BUSINESS LEADERS FORUM

**PRINCIPAL SUPPORTERS**

ABB Asea Brown Boveri (Switzerland)
American Express Company (USA)
The Atlantic Richfield Company (USA)
The British Petroleum Company (UK)
Cable and Wireless (UK)
The Coca-Cola Company (USA)
Grand Metropolitan (UK)
ITOCHU Corporation (Japan)
Johnson Matthey (UK)
SmithKline Beecham (UK)
Volkswagen (Germany)
Wheelock & Company Ltd (Hong Kong)

**MEMBERS**

Abercrombie & Kent Group
Allianz
Bajaj Auto
British Gas
BSO/Origin
CIGNA Corporation
Coopers & Lybrand
Courage
DHL Worldwide Express
KPMG Peat Marwick
LEO A DALY
McKinsey & Company
Norsk Hydro
Obayashi Corporation
Pasona
Robert Bosch
Tata Industries
Toyota Motor Corporation
3M Company
The Sumitomo Bank
US West International
WARNACO

**Chief Executive: Robert Davies**

**THE PRINCE OF WALES BUSINESS LEADERS FORUM WORKS WITH INTERNATIONAL BUSINESS ON CORPORATE CITIZENSHIP PROGRAMMES IN THE EMERGING MARKETS IN ASIA (INCLUDING VIETNAM, GREATER CHINA, INDIA), LATIN AMERICA (INCLUDING MEXICO, BRAZIL) AND SOUTHERN AFRICA AS WELL AS IN EUROPE AND THE CIS.**

**The Prince of Wales**, under the watchful gaze of Karl Marx, talks *responsible capitalism in Budapest, 1990.*

This feature has been produced with the kind support of:

ABB ASEA BROWN BOVERI and CABLE & WIRELESS

The case studies in this feature are drawn from **A New Spirit of Enterprise**, a new research study of community involvement strategies by international companies in Eastern and Central Europe and Russia. The report, priced £15/$20, is available from:

*The Communications Department*
The Prince of Wales Business Leaders Forum
5 Cleveland Place
London SW1Y 6JJ
United Kingdom
Tel: ++ 44 (0)71 321 6483
Fax: ++ 44 (0)71 321 6480

THE PRINCE OF WALES BUSINESS LEADERS FORUM

# THE MONDAY People page

# A whole new ball game

Trevor Humphries

**Jan Leschly** tells **Daniel Green** of his plans for SmithKline Beecham in the changed climate for drugs companies

At 2 pm today, in London's Barbican Centre, a former tennis champion is scheduled to be installed as the chief executive of the world's sixth biggest pharmaceuticals company. Jan Leschly, a tall 52-year-old with a passing resemblance to Paul Newman, once played for Denmark's Davis cup team. In 1968, he was ranked tenth in the world.

From today's annual general meeting, he will be ranked first at SmithKline Beecham, a company emerging from five years of turmoil following the merger of its US and UK parents. His task will be to adapt the company to a world eager to cut the costs of healthcare and in so doing assault the legendary profits of drugs companies.

The intensity and toughness that served him so well on the tennis court contrasts with the urbanity of Bob Bauman, the man he replaces. Leschly is keen to state that they have little difference in their approach to the company, but he comes across as a harder man than the orchid-growing Bauman.

Leschly says he is a "nice guy" at a dinner party but that things are different in business. He draws a parallel between himself and his former tennis adversary, the rebellious Ilie Nastase. "He was awful on court and very enjoyable off it. I'm pretty serious in meetings, but that doesn't mean I can't be a good friend on the golf course."

Being "pretty serious" has taken Leschly the businessman beyond anything he achieved in sport. A qualified pharmacist, he rose through the ranks of Danish drugs company Novo during the 1970s. In 1979, he moved from being president of Novo's pharmaceuticals division to Squibb, the US company, as a vice-president.

Driven by what Squibb chairman, Richard Furlaud, calls "superb leadership skills and creative approaches to new business opportunities", Leschly became president, chief operating officer and heir apparent in 1988.

But Squibb merged with US rival Bristol Myers a year later and Bristol Myers was the senior partner in the deal. With the route to the chief executive's job blocked, Leschly left "to pursue opportunities outside the group".

Jobless, he sought a breathing space to consider his options and was attracted to the study of philosophy and religion at Princeton.

He describes how he was able to get away from feeling "impressed with yourself as a big shot in a big company". The experience gave him the freedom to think about what to do with his life, he says.

By the end of his study year, he had come to the conclusion that he wanted to work in a new company and a new country.

The Dane, now with a US accent, came to live for the first time in the UK and to work as a board member of SmithKline Beecham. From SB's perspective, he was a useful neutral party in the struggle to merge the elitist culture of UK company Beecham with the all-American SmithKline Beckman.

In many areas, the US culture won out; among other things, he and Bauman abolished Beecham's seniority-based staff restaurants. There were many pockets of resistance to such changes and Leschly's background enabled him to avoid accusations that he was promoting the culture of one parent over the other.

At the time the merger was received with some scepticism. Now it is looking like a success story. The first three months of 1994 saw pre-tax profits rise 15 per cent to £353m.

But the success of the first quarter of the year was really a flourish in the last quarter of Bauman's reign. The first three months under Leschly threaten to produce a less auspicious story.

Tagamet, the ulcer drug that propelled SmithKline Beckman to prominence in the 1980s, loses patent protection on May 17. SB concedes that the market will be flooded with cut-price copies and that sales will fall quickly.

Yet Leschly will return to SB's headquarters in the unprepossessing west London suburb of Brentford with his thoughts on more than just Tagamet. The whole drugs industry is struggling to come to terms with price competition imposed by drugs buyers – governments or companies. As a consequence, companies in the US, Europe and Japan are in the throes of a jarring transformation from decades of high profits to the cost-conscious late 1990s.

His speech on the "paradigm change" is well-rehearsed. Leschly insists that SmithKline Beecham will be transformed from a sprawling empire that sells everything from toothpaste to cancer drugs into an integrated healthcare company.

He needs no prompting to contrast this plan with that of arch UK rival Glaxo, the biggest drugs company in Europe. "Glaxo is dedicated to being a pharmaceutical company based on science, development and new compounds. In the next five years we are not going to be only a pharmaceutical company. My aim is to integrate our businesses."

He is far more sympathetic to the strategy followed by Merck, the biggest US drugs company, which last year bought drugs distributor Medco.

Every large drugs company operating in the US is now considering whether to adopt Merck's strategy of buying a distributor through which to offer packages of different treatments at a discount.

Leschly has no doubts about the principle but thinks Merck paid too much. "Strategically I believe it was a stroke of genius, but would I pay $6.6bn?" he asks rhetorically.

He refuses to say whether Merck's is the example that SB will follow. He prefers to argue that the new healthcare environment means that economics is now as much part of the drugs industry as clinical trials. Europeans as well as the US are going down this route, he says.

Cost cutting and improved distribution might be one way for pharmaceuticals groups to bolster their margins as prices come under pressure. Another will be to invest in new ideas coming from biotechnology companies. "They have a big advantage over us. They can recruit geniuses because they give them [share] equity," says Leschly.

Even for a company based in Europe, spending money on biotechnology companies means investing in the US. Biotechnology in the UK is "insignificant", says Leschly.

The emphasis on the US is nothing new for SB. Under US citizen Bauman SB became a London-based transatlantic company, that was particularly well-placed to find good US partners. Under Leschly, the Dane who speaks with an American accent, SB seems just as likely to buy its brains in the US.

*Personae*

## Higher profile awaiting O'Connell at Ireland's Central Bank

It remains to be seen whether the appointment of Maurice O'Connell as the next governor of Ireland's Central Bank will shed any light on the inner workings of this august institution, writes Tim Coone. Although it plays a key role in the Irish economy, it maintains a very low public profile.

In Ireland, the 57-year old O'Connell is barely known outside the confines of the Department of Finance where he has worked for the past 32 years, rising to the post of second secretary responsible for its finance division. Trained in ancient classics rather than finance, he is nonetheless considered an authority on the EMS and central bank legislation.

Indeed, he will be more familiar to finance officials from other EU countries since he sits on the monetary committee and is a director of the European Investment Bank.

O'Connell takes up the governorship on May 1, replacing Maurice Doyle who, at 62, announced last month that he would not be seeking a second seven-year term of office. Doyle rarely gave interviews to the press, so his decisions and views have never been exposed to much public scrutiny. But his frequently outspoken views, which he chose to make public on occasion, gave him a reputation as an independent thinker who had no qualms about criticising government economic policies – so various directorships of prominent Irish plcs doubtless await him.

Both O'Connell and Bertie Ahern, the finance minister, will be anxious that the independence of the Central Bank be maintained, and that political considerations are kept out of exchange rate and interest rate management.

But to be convincing, O'Connell might be required to display a higher profile than he has done as a director of Irish Telecommunications Investments, the treasury arm of the state-run telecommunications company Telecom Eireann. The utility has a I£1bn debt and is not yet considered to be in a suitable financial condition to be privatised.

## Hanson's added value in Hong Kong

Simon Hsu is a man in a hurry, writes Simon Holberton. The newly appointed managing director of Hanson Pacific, the Far East subsidiary of the Anglo-American predator, is on the trail of his first deal.

"You know how Hanson works," he says, "you have 28 jobs in one. I've spent less time in Hong Kong in the past three months than at any time since I moved here."

Hsu (pronounced shew) came to Hanson via CEF, a Hong Kong merchant bank closely associated with tycoon Li Ka-shing. Born in Taiwan, he emigrated to the US with his family 23 years ago.

For one so youthful – he is only 33 years old – Hsu has done a lot. With his brother, he made and lost a fortune in west coast real estate. He also ran food services businesses and restaurants. In 1988 he returned to Asia, first to Taiwan and then Hong Kong.

Hsu likens his task with Hanson to that of a corporate finance practitioner with a difference. "The merchant bank will spot the undervalued assets, package them and sell them on the market. But at the end of the day, when you unwrap the package the contents are the same. We have the techniques, the money and the expertise to take a company from being grade E to grade B or A."

This signals a change in the Hanson approach, at least in East Asia. Aside from a requirement that Hanson own a majority, the company most associated with the hostile acquisition will be looking for joint ventures and other such co-operative arrangements.

When Hsu meets prospective partners, his line is: "We have the ability to make your product better. Before, Hanson did not believe in joint ventures." And he adds: "Now we do, especially in this part of the world."

## Rudloff to form own company

Hans-Jörg Rudloff, one of the dominant Euromarket bankers of the 1980s, is probably about to re-emerge in the City of London in an aggressive asset management role, writes Ian Rodger.

Rudloff, who ran Credit Suisse-First Boston in London for more than a decade, was unexpectedly kicked upstairs to CS Holding headquarters in Zurich a year ago. In February, he left the CS group "to pursue personal and family business interests".

"I want to do business rather than be on the planning side," he said last week from his Geneva base. "I was getting a little bit bored."

Rudloff, widely respected as a strategic thinker, sees an opportunity in what he calls the enormous changes taking place in top company share ownership in western Europe.

Governments and banks are withdrawing, leaving a vacuum in corporate governance. Rudloff says he has high regard for Martin Ebner's BZ banking group in Zurich, which had set up investment funds to take significant shareholdings in top companies and encourage them to emphasise medium term profitability.

Rudloff, who emphasises that his own background is more in equities than in bonds, is in the process of forming his own investment company, and promises that he is more likely to be active in London than Switzerland.

So far, however, he has collected only Swiss jobs. Sandoz, the Basle pharmaceuticals and chemicals group, has just nominated him to become its first non-Swiss board director.

And he has been named non-executive chairman of Bellevue Asset Management, an investment fund management spin-off from Bank am Bellevue, a newish Zurich brokerage house modelled on BZ Bank.

# THE WEEK AHEAD

## UK COMPANIES

[illegible]

## DIVIDEND & INTEREST PAYMENTS

[illegible]



## CONTRACTS & TENDERS

### SUGAR & INTEGRATED INDUSTRIES COMPANY (S.I.I.C.)
12 GAWAD HOSNY STR.
CAIRO / A.R.E.
PURCHASING SECTOR

**Announces for the International Tenders for importing equipment for BELKAS PROJECT financed by THE SAUDI FUND FOR DEVELOPMENT as follows:**

| Tender No | Specifications | price of one set of tender documents |
|---|---|---|
| 1-2 / Belkas | LOADERS | L.E. 500 |
| 18 / Belkas | WORKSHOP EQUIPMENT | L.E. 500 |

1- Offers will be received & opened on 23 / 6 / 1994 at 12 O'clock Cairo local time.

2- Tender documents can be obtained from above address against a stamped application and paying the amount stated above for one set to be increased by 10 % in case it is requested by Mail.

3- Offers should be submitted through registered EGYPTIAN agent and accompanied by the following:

a- Original of agency form 14C for review & copy of it attached with the offer.

b- Copy of receipt of Purchasing the tender documents.

c- 2% at least (bid bond) unconditional bank guarantee issued from a first class bank & endorsed from a first class EGYPTIAN BANK to be increased to 10% in case of awarding contract

4- Offers not compling strictly with terms, will be rejected without response.

## CONFERENCES

The new
SOUTH AFRICA
10th MAY 1994
INDEPENDENT
LONDON INVESTMENT
RESEARCH CONFERENCE
FOR DETAILS PHONE
071 394 5795

## LEGAL NOTICES

High Court of Justice No 000717 of 1994
Chancery Division
Companies Court

IN THE MATTER OF
SYSTEMS CONNECTIONS GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice (Chancery Division) dated 30th March 1994 confirming the reduction of the capital of the above named Company from £2,375,000.00 to £164,129.00 and the reduction of its Share Premium Account from £2,375,527.00 to £105,177.00 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 13th April 1994.

DATED this 18th day of April 1994
Harris and Harris, Solicitors
of 11 Stony Street, Frome, Somerset BA11 1BU
Ref: IEC/F118/41
Solicitors for the above named company.

# CONFERENCES & EXHIBITIONS

**APRIL 26**
**INVESTMENTS IN MINAS GERAIS - The Gateway to Brazil and the MERCOSUL**
A morning seminar and luncheon for interested individuals and organizations to meet high-level authorities and Brazilian and British entrepreneurs with regard to opportunities in the State of Minas Gerais, the second most important industrial State in Brazil, which is actively promoting investment and foreign trade.
Contact: Dionisio Cerqueira, *Brazilian Chamber of Commerce*,
Tel: 071 499 0186, Fax: 071 493 5105
LONDON

**APRIL 28**
**STRATEGIC ALLIANCES: MAKING THEM WORK**
Acquisitions Monthly, in association with Arthur D. Little, examines the trend for companies to make alliances and looks at how to get them right. Learning from those who have done it, listening to case studies from BA, BT, ICL, Leeds Permanent and Warner Lambert Europe.
Contact: Paula Knight, Arthur D. Little Ltd
Tel: 071 917 5308 Fax: 071 491 8983
*LONDON*

**APRIL 28**
**IMPROVING SAFETY, ENVIRONMENTAL & QUALITY PERFORMANCE**
Many companies have separate and uncoordinated initiatives to address safety, environmental and quality issues, which are not only costly to maintain but often fail to deliver added value to the business. This lunch time briefing looks at an integrated, cost effective approach to improving performance.
Contact: Bywater plc
*Tel: 0734 886336* Fax: 0734 886280
READING

**MAY 4-5**
**THE NORTH SEA CONFERENCE 1994**
Petroleum *Economist*/CBI Conference on Oil & Gas brings together leading authorities including Ministers from UK, Netherlands and Norway to consider the key issues relating to future operations.
Contact: Sandra Aldred, CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

**MAY 4-5**
**KNOW YOUR COMPETITORS**
Competitor Intelligence & Analysis inc. Benchmarking. A practical two day seminar/workshop from the UK's No 1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligence unit.
Contact Patricia Donnard
EMP Intelligence Service,
Tel: 071-487 5665 Fax: 071-935-1640
LONDON

**MAY 10-12**
**INTERNET WORLD & DOCUMENT DELIVERY WORLD INTERNATIONAL '94**
Mecklermedia's second annual conference and exhibition exploring the products and services Internet applications can offer the company and the individual.
Venue: Novotel London Hammersmith
Contact: Stella Filmer
Tel: 071 976 0405 Fax: *071 976 0506*
Mecklermedia, Artillery House, Artillery Row, London SW1P 1RT
LONDON

**MAY 11**
**THE NEW CONSUMER ENVIRONMENT**
The key factors driving markets into the next century. The Henley Centre's one-day conference will be examining the real drivers of change in Britain. Our latest views on the way that society is changing and the implications for marketing and corporate strategy. Cost £350 + VAT
Contact: Anna Hartman Tel: 071 353 9961
LONDON

**MAY 11 & 12**
**EUROPE & LATIN AMERICA: TRENDS & PROSPECTS**
Canning House/CBI conference programme considers opportunities for trade, services and investment with the new Latin America. Eminent speakers from Government, Industry and Finance from both Continents.
*Contact: Nicola Martin, CBI Conferences*
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

**MAY 12**
**DIRECTORS' DUTIES:**
Hampshire Hotel, Piccadilly
The legal liabilities involved in company directorships should be examined seriously by all current and potential directors. This course will enable them to do so.
Contact: Evanna Morris, CIMA Mastercourses
Tel: 071 917 9244 *Fax: 071 580 6991*
LONDON

**MAY 12**
**INVESTING FOR GROWTH**
This one-day conference will draw on the experiences of various companies that have used the discipline of recession to re-examine their assumptions about investment. What factors influenced their decision? What principles did they adhere to?
Director Conferences 071 730 0022
LONDON

**MAY 16 - 25**
**INTER-ACTIVE TRAINING SKILLS**
This highly practical one-day course presents many advanced training techniques and ideas. It is suitable for all trainers, business managers, and personnel professionals.
Dates: Birmingham 16 May, London 17 May, Leeds 18 May, Bristol 23 May, Manchester 25 May, Glasgow 25 May.
For more information contact:
Robert-Phelps Training
Tel: 0908 231492 Fax: 0908 231492
VARIOUS, UK

**MAY 17-18**
**WORLD CLASS INTERNATIONAL WORKSHOPS**
**WORLD CLASS PURCHASING:**
This 2-day workshop challenges some of providing solutions to problems in dealing with suppliers. Have your suppliers achieve the necessary quality, delivery and cost targets you require. (Ref WCM5)
Contact Vicki Welham
World Class International Ltd
Tel: 0705 268133 Fax: 0705 268160
HAMPSHIRE

**MAY 18**
**INVESTOR RELATIONS PROCESS**
One-day advanced seminar, sponsored by Investor Relations Society, on integrating your company's strategic objectives and investor relations agenda. Venue: London Hilton, Park Lane. Speakers: Strategic Planning Society, Medeva, Rolls-Royce, SmithKline Beecham, Frew Macmaster.
Contact: Bass Associates
Tel: 071-497 2225 Fax: 071-497 9295
LONDON

**MAY 19**
**ZIMBABWE - THE NEW ECONOMIC ERA**
CBI Conference, sponsored by Barclays and BAT, considers trade and investments prospects with Opening address by Michael Heseltine. Keynote address by President Mugabe and presentations by senior Ministers and officials. Programme includes workshops on trade, mining, tourism, industry etc.
Contact: Nicola Martin, CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
*LONDON*

**MAY 20**
**COMPANY ACCOUNTING IN THE USA**
Harrington Hall, Kensington
Are you aware of the difference between UK and US financial reporting? This course will raise your awareness of the pitfalls presented by some of these differences.
Contact: Evanna Morris, CIMA Mastercourses
Tel: 071 917 6588 Fax: 071 580 6991
LONDON

**MAY 24**
**STRATEGIC FACILITIES MANAGEMENT: THE LONG TERM PLAN FOR ASSETS CONFERENCE**
Chairman: Marilyn Standley, British Institute of Facilities Management; Christopher Jonas, Drivers Jonas; Tom McAulay, *Motorola; Ashley Dobson*, Digital Equipment Co; Frank Bul, DTZ Debenham Thorpe; Jimmy James, Crosher & James; David Turner, Barclays Property Holdings; Martin Avis, Oxford Brookes University. Contact: Sharon Brook, RICS Conferences & Training
Tel: 071 393 4960
LONDON

**MAY 24-26**
**FIA/FOA GLOBAL INVESTMENT & RISK MANAGEMENT**
**OPPORTUNITIES FOR INSTITUTIONS & FUND MANAGERS**
**LEMERIDIEN HOTEL**
Pension funds, corporate treasurers, traders, product designers address using futures for risk management. Keynote speakers: Brian *Quinn, Bank of England*; Gordon Binns, General Motors Pension Fund.
Contact: US Julia Greenway 202-466-5460
UK Caroline Jones 071 488 4610
LONDON

**MAY 24-26**
**RAILTECH**
The Railway Technology Event for systems and components. Railtech will focus on the technology being developed and applied in the railway component supply industry internationally. The Exhibition presents the ideal opportunity for manufacturers to meet senior engineers and specifiers and will be supported by a Congress of over 20 seminars.
*Contact: Roger West - Centre Exhibitions*
Tel: 021 767 2683
BIRMINGHAM

**MAY 25**
**MARKETING TO SOUTH AFRICA**
In this week of elections and renewed hope for South Africa, consider the future opportunities for trade and investment. A *conference examining funding, investment* and media opportunities. Senior marketing personnel, business developers and investors should attend.
Contact: Gillian Tyler for further information
Tel: 071 434 3711
LONDON

**MAY 25-26**
**IT 94: TRANSFORMING IT TO SUPPORT THE HIGH PERFORMANCE BUSINESS**
UK's first annual conference for senior executives responsible for re-engineering the organisation and delivery of IT. It addresses ways of organising IT to promote partnership with the business, the new skills and resources requirements and alternative approaches to systems delivery.
*Contact: Business Intelligence*
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

**MAY 25-26**
**EIGHTH ANNUAL EUROPEAN INFORMATION MANAGEMENT CONFERENCE:**
Experts from leading companies will show how good information management can meet the demand for better business results with fewer resources. Presented by The Conference Board Europe and *Coopers & Lybrand*.
Contact: Jane Campbell in Brussels.
Tel: 32.2/640.62.40 Fax: 32.2/640.67.35
LONDON

**MAY 26**
**WINNING TOMORROW'S CUSTOMERS**
CBI/MQA Conference, considers how companies use marketing quality disciplines to adapt successfully to the changing marketplace and enhanced customer expectations. Speakers include leading authorities from The Henley Centre, Mori and Cranfield School of Management.
Contact: Georgia Kingsby, CBI Conferences
*Tel: 071 379 7400 Fax: 071 497 3646*
LONDON

**JUNE 2**
**COST OF CAPITAL AND ASSET VALUATION IN REGULATED INDUSTRIES**
Asset return and valuation issues are critical in the current regulatory price reviews. The conference will discuss current theory and practice in this area, as well as appropriate methods of measuring rates of return.
Contact: Sally Harris
*Tel: 0895-203321 Fax: 0895-274697*
LONDON

**JUNE 2**
**DEVELOPING NEW PRODUCTS FOR GLOBAL MARKETS: THE OPPORTUNITIES**
A national one-day conference organised by the Design Museum in conjunction with the DTI, which will tackle the fundamental issues of new product development and its impact on profitability and competitiveness.
*Contact: Conference Secretariat*, Northern Conference Bureau
Tel: 0625 502600 Fax: 0625 502900
BIRMINGHAM

**JULY 6-7**
**The Leasing*Life* EUROPEAN LEASING FORUM**
A conference examining opportunities in the European leasing industry. Speakers *include Transport Minister* Roger Freeman & representatives from the European Commission & European financial institutions. Looking at public projects & private finance, leasing in Eastern Europe, risk management, client needs & funding through securitisation.
Contact: Iain Dale, The Waterfront Partnership Tel: 071 730 0430
Fax 071 730 0460
LONDON

**JUNE 7**
**FLEXIBLE WORKING**
Organised by European Business Seminars to examine the critical issues in formulating and implementing a flexible working strategy. Chaired by Honda *Motor Europe with speakers from IBM*, DHL, Digital Equipment, BT, Coopers & Lybrand, Mott Ewbank Preece and Barclays Bank.
For further details, contact 071 823 9001
LONDON

**JUNE 8**
**BUSINESS PERFORMANCE MEASUREMENT: The Instruments of Corporate Change**
A half-day seminar for senior executives wishing to explore the issues involved in developing and introducing new performance measurement and reporting concepts. Featuring David P Norton, President Renaissance Strategy Group, co-founder and former President of Nolan Norton & Co. Contact: Business Intelligence
Tel: 081-*544 1830* Fax: *081-544 9020*
LONDON

**JUNE 8-9**
**EIS 94:**
**CLIENT SERVER REPORTING FOR THE ENTERPRISE**
Europe's leading conference and exhibition on Executive and Management Information Systems. A unique conference programme which gathers many of the world's best thinkers, *practitioners and case studies, with the* aim of helping organisations link EIS to business goals.
Contact: Business Intelligence
Tel: 081 544 1830 Fax: 081 544 9020
LONDON

**JUNE 12-17**
**THE PRACTICAL ESSENTIALS OF NATURAL GAS**
A five-day seminar essential for those who need to expand their practical understanding of the gas business. The programme covers the full spectrum from expansion to end-use in a logical and comprehensive fashion.
*Contact: Anita Gardiner, The Alphatania* Group, for further information.
Tel: +44 (71) 613 0087 Fax: +44 (71) 613 0094
CRICKLADE, ENGLAND

**JUNE 16**
**COMPUTER SECURITY**
Organised by European Business Seminars to identify the key issues in IT *security including the design* identification and effective risk management. Speakers from key organisations and consultancies in the finance, IT and insurance sectors.
For further details, contact James Ryan
071 823 9001
LONDON

**JUNE 22**
**CORPORATE CAPITAL AT LLOYDS: EVOLUTION OR REVOLUTION?**
This conference will discuss and debate the introduction of limited liability corporate capital to the market. Speakers will include David Rowland, Chairman, Lloyd's of London, and Peter Middleton, Chief Executive Officer. Essential for potential institutional investors.
Contact: Helen MacKay, Lloyd's of *London Press Tel: +44 (0) 71-250 1500*
Fax: +44 (0) 71-253 9907
LONDON

**JUNE 22 & 23**
**IMPLEMENTING PRACTICAL PERFORMANCE MEASURES ACROSS YOUR BUSINESS PROCESSES**
Performance Measures are indispensable tools used to assess the effectiveness of your most vital business processes. This conference uses 13 practical case studies *to illustrate how to implement and operate* performance measures in all areas, including Customer Service, Quality and Human Resources.
Contact: Sarah Peace, IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

**JUNE 28 & 29**
**THE FIRST INTERNATIONAL CONFERENCE**
**EMPOWERING FLEXIBLE WORK TEAMS**
Speakers from European "Best Practice" companies will give the delegate a unique insight into the practicalities of implementing teamworking across a range of industry sectors and will explore the very real effects of national and corporate culture on empowerment.
*Contact: Sarah Peace, IBC Technical Services*
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

**JULY 5**
**EFFECTIVE IT INVESTMENT**
*Organised* by European Business Seminars to provide a practical focus on planning and managing IT strategy to maximise the return on investment and add value to your business. Chaired by KPMG Management Consulting with speakers from key organisations.
For further details, contact James Ryan
071 823 9001
LONDON

**JULY 6-7**
**The Leasing*Life* EUROPEAN *LEASING FORUM***
A conference examining opportunities in the European leasing industry. Speakers include Transport Minister Roger Freeman & representatives from the European Commission & European financial institutions. Looking at public projects & private finance, leasing in Eastern Europe, risk management, client needs & funding through securitisation.
Contact: Iain Dale, The Waterfront *Partnership* Tel: 071 730 0430
Fax 071 730 0460
LONDON

## EXHIBITIONS

***MAY 3 - 7***
**THE 'MADE IN SYRIA' EXHIBITION**
Arab-British Chamber of Commerce, 6 Belgrave Square, London SW1(10.00 am - 6.00 pm daily). Showcasing Syria's best new market opportunities like textiles, leather, chemicals, engineering and food. Business Seminar at *the Park Lane Hilton*, 10.00 am May 3rd. Call 071 235 4365 for details
LONDON

**MAY 9-12**
**CEETEX 94, THE CENTRAL & EASTERN EUROPEAN TECHNOLOGY & INVESTMENT EXHIBITION**
Meet senior decision makers of over 1000 major enterprises from Central and Eastern Europe who are seeking trading links, partnerships and investment.
*For free entry, register on* 0203 421213 or call 071 262 3066
LONDON

## INTERNATIONAL

**MAY 10-11**
**VIDEO-ON-DEMAND: The New Economics of Home Cinema.**
Hotel Royal Monceau - Paris.
This dynamic conference will cover the emerging *Video-On-Demand, Video* and pay TV industries and focus on Market demand, new technology and the companies leading industry development.
Contact: Patricia Baynton, Kagan World Media Limited. Telephone: 071 371 8880, Fax: 071 371 8715/6.
PARIS

**MAY 17 - 19**
**POWER-GEN EUROPE '94**
Largest conference and exhibition on electricity generating in Europe. New developments in market regulations & *structures, utility & IPP interaction*, cooperation, project financing and latest technologies. Over 160 presentations selected by the European power industry. *Most major European utilities and* companies active in power generation present.
Contact: PennWell C&E
Tel: 31-30-650. 963 Fax: *31-30-650.915*
COLOGNE

***MAY 18-19***
**EUROPEAN TV PROGRAMMING 2000**
Hotel Royal Monceau - Paris
This dynamic *conference will cover the* interface of programmers and sponsors, production finance and advertising. Broadcasters, producers, sponsors, advertisers, distributors, and financiers will meet for two days of debate on the future of television programming.
Contact: Patricia Baynton,
Kagan World Media Limited.
Tel: 071 371 8880 Fax: 071 371 8715/6

***MAY 19 & 20***
**SAFETY, HYGIENE, CONTROL & QUALITY OF AGRI-FOOD PRODUCTS IN EUROPE**
A strategic conference enabling companies, public authorities and consumer representatives to debate and discuss with the European Union Institutions the current and future policies, legislation and financial assistance in the agri food industry. Should a EU Common *Food Policy be created?*
Contact: Club de Bruxelles
TEL: (32.3.771.9890) FAX: (32.2.770.6671)
BRUSSELS

**MAY 30**
**THE EUROPEAN AEROSPACE INDUSTRY - EXPECTATIONS AND REALITY**
*Key Speakers:* Dr. R Göhner, Parliamentary *State Secretary, Coordinator of the German* Aerospace Industry; Dr Piller, President of the German Aerospace Industries Association; Mr. J.-M. Luton, European Space Agency (ESA); Mr T Broderick, Federal Aviation, USA; Mr. A G Bratukhin, State Committee of Defence Industry, Russia
*Palace Hotel, Berlin, Germany*
Contact: ISSC +49-(0)228 6483 126/168
BERLIN

**MAY 30-31**
**LEGAL ASPECTS OF THE LIBERALISATION OF AIR TRANSPORT IN EUROPE**
A two day colloquium on the Single European Market in the air transport sector, state aids, air traffic control and slot allocation at Community airports, access to air transport markets. Community rules on air carrier licensing, case-law of the European Court of Justice.
Contact: European Institute of Public Administration
Tel: +352 426230 Fax: +352 426237
LUXEMBOURG

***MAY 31 - JUNE 3***
**COMMUNICASIA 94 EXHIBITION & CONFERENCE**
Meet *500+ international exhibitors* at CommunicAsia/Network Asia/Mobile CommAsia. Listen to *55 distinguished speakers talking about their experiences and* predictions for the future of Asian communications. Equipment services, financing, regulation - what will be needed to take Asia in to the 21st century?
London Tel: +44 (0)71 486 1951
Fax: +44 (0)71 413 8211
Singapore Tel: +65 338 4747
Fax: +65 339 5651
SINGAPORE

**JUNE 2**
**THE CZECH REPUBLIC ON HER WAY TOWARDS THE WESTERN ALLIANCE**
Key speakers: Doz. Dipl.-Ing. A. Baudys CSC., Minister of Defence, Czech Republic; Mr. R. Beard, *Assistant Secretary General* for Defence Support, NATO; Major General Barta, Dir., Materiel and Technical Provision, MOD, Czech Republic; Dipl.-Ing. R. Sabela, Deputy Minister of Industry and Trade of the Czech Republic; During IDET'94, Brno, Czech Republic;
Contact: ISSC +49-(0)228-6483-126/168
BRNO

**JUNE 13-14**
**THE EUROPEAN FOOD & DRINK INDUSTRY CONFERENCE**
Manufacturers and distributors are being squeezed as prices and margins are forced downwards. This conference presents actions and solutions; how to strike a balance between industry constraints and future business development. Contact: Louise *Thomas Management Centre Europe, Brussels*
Tel: +32 2 516 19 11 Fax: +32 2 513 71 08
BRUSSELS

**JUNE 14-15**
**THE HOME OFFICE CONFERENCE**
**PREPARING FOR PROFIT - A New Strategy for IT Vendors and Telecom Service Providers**
Meet key players in Deutsche Telekom, Mercury, IBM, Lotus, Intel, Staples, and Computer 2000 and understand the dynamics and distribution strategy options of *the home office and small business markets*.
Contact BIS Strategic Decisions
Tel: +44 582 405678
MUNICH

***JUNE 19-20***
**SECURITY EXPORT CONTROL IN THE RUSSIAN FEDERATION AND WORLDWIDE**
Moscow Olympic Penta Hotel
High level experts in export control from the Russian Federation, USA, France, Great Britain, European Union, from industry and international export control organisations will present their view of the importance of export control in today's world.
Contact: ISSC +49-(0) 228 6483 126
MOSCOW

**JUNE 20-28**
**KAIZEN STUDY TOUR OF JAPAN**
Learn what makes Japanese companies successful on the Kaizen Institute 7 day conducted study tour of Japanese factories combined with lectures by plant personnel and a lecture by Masaaki Imai.
Contact: Sarah Bisby, Kaizen Institute
Tel: 071 713 0407 Fax: 071 713 0403
JAPAN

**Michael Skapinker** asks whether frequent-flyer points should belong to the staff or the employer

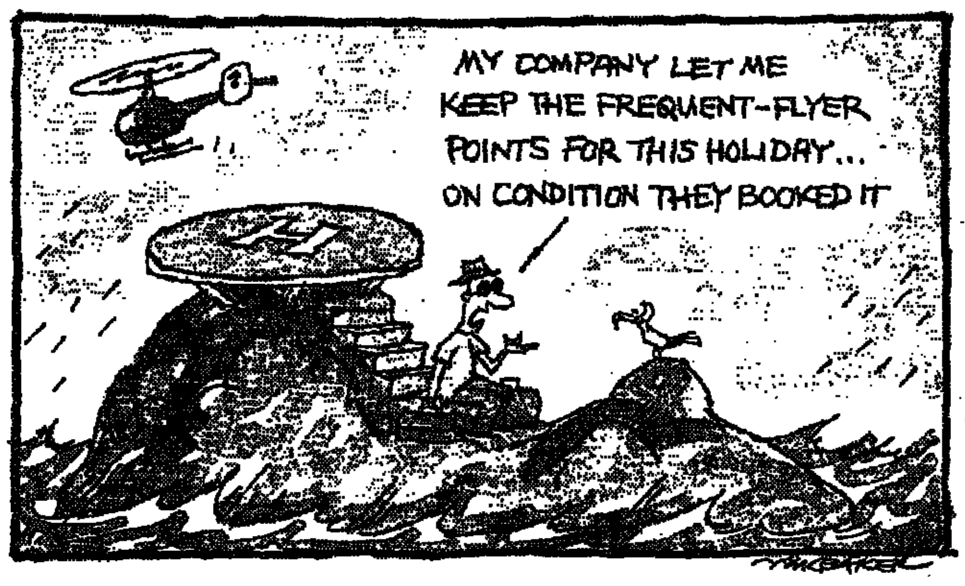
# A partiality for perks

Ministers and civil servants in the UK last month were banned from taking free private holidays using the air miles accumulated while travelling on official business.

Mr John Major, the prime minister, said they could, however, use their air miles to fly free on official business. Mr Major's reasoning seems fair. If flights are paid for out of public funds, it is the taxpayer who should benefit from any resulting perks.

Why should shareholders in private-sector companies be treated any differently? Why should employees who travel on company money keep frequent-flyer points for themselves?

Mr Paul Allan, chairman of the Guild of Business Travel Agents, says few companies adopt this approach. Most allow employees to use their frequent-flyer points for their own trips. Many take the view that business travellers suffer the inconvenience of being away from home, and are therefore entitled to use their frequent-flyer bonus to pay the cost of a family holiday.




You might expect the airlines to take the side of Mr Major. The aim of frequent-flyer programmes is to encourage customer loyalty. As it is the company which pays the air fare, it would apparently be in the airlines' interest to ensure that companies benefit from frequent-flyer points.

Not necessarily, says one airline representative. If a company does not tell staff which airline to use, employees may pick one carrier rather than another on the basis of its frequent-flyer scheme. "If a company doesn't have a travel policy, frequent-flyer points really come into their own," he says.

Even when a company does have a definite policy, this often specifies that staff must travel on one of two airlines. An attractive frequent-flyer programme can help ensure that travellers stick to one at the expense of the other.

Mr Allan gives another reason why airlines believe the points should belong to the individual rather than the company. If the company puts all the accumulated points into a common pool, it is likely to use them when sending staff on trips. Individuals are less likely to use their points. They might not accumulate enough points or not get around to taking their holidays.

Mr Allan admits that business travel agents do not like frequent-flyer points, because they earn no commission on them. In principle, his personal view is that whoever pays for the ticket should receive the benefit.

If, as a traveller, this has you choking on your airline cashew nuts, what of the following case?

A colleague was recently waiting to board a flight from New York to London when the airline announced the aircraft was overbooked. If there were seven passengers willing to fly on another airline 1½ hours later, they could have $200 in cash.

My colleague was almost crushed in the stampede and in

**Employees may pick a carrier on the basis of its frequent-flyer scheme**

no condition to ask the lucky seven whether they intended to pocket the cash or hand it over to their companies.

So, three questions on travellers and their perks:

*1. Who should benefit from frequent flyer programmes – business travellers or their companies?*

*2. Who should receive cash compensation?*

*3. If your answers to 1 and 2 are different, why?*

Answers to me at the FT; fax 071-873 3196.

**Likely weather in the leading business centres**

| | Mon | Tue | Wed | Thur | Fri |
|---|---|---|---|---|---|
| Tokyo | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hong Kong | 31 | 30 | 31 | [illegible] | [illegible] |
| London | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Frankfurt | 14 | 20 | 20 | 21 | [illegible] |
| New York | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| L. Angeles | 19 | 18 | 19 | 20 | [illegible] |
| Milan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Paris | 15 | 17 | 18 | 20 | 19 |
| Zurich | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

## Highland link by BA and Loganair

By James Buxton

Air travellers to the Highlands and Islands of Scotland will notice changes from July 11. There will be fewer flights by British Airways' 64-seat ATP turbo-prop aircraft, and more by Loganair's 36-seat Shorts 360s.

The white and red livery of Loganair's fleet will also gradually be repainted in BA colours, and its cabin staff will don BA uniforms.

The changes, which will mean a small increase in frequencies on some routes but with smaller aircraft, are the consequence of Loganair becoming a franchisee of BA.

It will remain a separate company (and may also be bought by its management from Airlines of Britain, owner of British Midland), but will operate services for BA as British Airways Express. Loganair flights will get BA prefix codes and join BA's reservations system.

BA's ATPs will stop serving Glasgow-Aberdeen, Glasgow-Belfast International, Glasgow-Inverness, Inverness-Kirkwall, Kirkwall-Sumburgh, Edinburgh-Aberdeen and Aberdeen-Inverness routes. Loganair as BA Express, using Shorts 360s, will take over Glasgow-Belfast and Glasgow-Aberdeen, and will increase frequency on Glasgow-Inverness, Inverness-Kirkwall and Kirkwall-Sumburgh.

Neither company will fly Edinburgh-Aberdeen or Aberdeen-Inverness (though Air UK and Business Air serve the former, and Business Air the latter).

BA will continue to fly to Benbecula and Stornoway in the Western Isles and to Shetland and Orkney, while BA Express will go on serving its many island destinations.

The arrangement safeguards Loganair as a business and preserves its thin routes, while enabling BA to give up loss-making routes and deploy more ATPs on services linking Glasgow and Edinburgh with Manchester and Birmingham.

## Move to reduce fares to Aberdeen

**An Aberdeen company hopes to win Civil Aviation Authority permission to set up low-cost flights to London Stansted. Aberdeen London Express (Alex) would offer a morning flight to Stansted (getting passengers to Liverpool Street by 9.30) and an evening flight back, operated by European Air Charters using a BAe 1-11, writes James Buxton.**

**The venture is a challenge to British Airways and Air UK. Aberdonians and oil company executives have long complained about the lack of a shuttle between Heathrow and Aberdeen, and BA's fares, which include a £192 off-peak return and a £258 fully flexible return. Air UK has two flights a day to Stansted and back.**

**Alex, which intends to start in June, would charge £60 single and £120 return. It is hoping for oil company block-bookings.**

## The fast and the frustrating

There are two routes from Boston airport to the city itself (where the market, above, can be found) – the fast way and the frustrating way, writes Kate Bevan.

The frustrating way is by road. Although the airport is just 3 miles from downtown, toll payments and heavy traffic in the tunnel under the harbour mean it can take up to 45 minutes to reach the city along Route 1A. The result can be a taxi fare of up to $20 (£13.60). There are buses, but there are faster options.

The first is by water. A free bus ferries you from the airport to the jetty, where a seven-minute boat ride will deliver you at Rowe's Wharf, close to most downtown hotels.

The water shuttle runs every 15 minutes on weekdays from 6am to 8pm, and every half-hour at weekends, from 10am until 11pm on Saturdays and 8pm on Sundays. It costs $8 one way.

The other fast option is to get the subway (on the blue line), where the fare into town will cost only 85 cents.


## All survive Sydney plane crash

**An aircraft chartered by the Australian Army crashed into Sydney's Botany Bay shortly after takeoff from the city's international airport yesterday but all 25 people aboard were rescued, officials said.**

**The passengers and crew were rescued by fishing boats after the DC-3 plane, which was headed for Norfolk Island 930 miles east of Australia, plunged into the water about 50 yards from the runway.**

**David McNichol, a reporter with The Australian newspaper aboard the plane, said: "We got up to about 300 feet, and the port engine gave a couple of coughs and died.**

**"We came around in a big circle. Obviously the pilot was trying to get us back on the runway but he just couldn't make it and we slammed pretty heavily into the water.**

**"The nose of the plane went well under and, when we sort of picked ourselves up off the floor, water was pouring through the overhead vents. I looked out the window and all I could see was ocean floor. But the plane then staggered back up to the surface."**

## Break-up

**The division of state-owned Russian airline Aeroflot into more than 200 smaller airlines has had extremely negative consequences on internal flights, a Western aviation official warned last week.**

**Fernand Francois, Executive Director of the European Business Aviation Association (EBAA), told a seminar: "The creation of a new, decentralised system, together with privatisation, has led to an increase in the cost of tickets, a reduction in the frequency of flights and the abolition of unprofitable routes.**

**"There is no interconnection between the more than 200 Russian carriers with operating licences," he said.**

## Airport traffic

**Flughafen Wien AG, the Vienna Airport company, says its business has picked up strongly in the first quarter of this year – despite price competition between airlines which it described as ruinous – after a difficult 1993.**

**In 1993, passenger numbers rose by 5.3 percent to 7.2 million, while takeoffs and landings rose 9.8 percent to 117,000.**

صورة من الأصل



Opera/**Richard Fairman**

# The Rake's Progress casts its shadow

The decade of Thatcher's Britain is a happy hunting-ground for experimental theatre companies. Against a backdrop of Canary Wharf almost any play or opera about wealth and poverty, greed and downfall, can be made to seem relevant.

In its previous work, Opera Factory has not shown any great inclination to make political points, but it does in its new production of Stravinsky's *The Rake's Progress* at the Queen Elizabeth Hall.

The Faustian theme of a rake who makes a pact with the devil easily fits the 1980s, when people sold their souls *en masse* for material gain. In David Freeman's production, the rake sets out in search of riches, only to end up paying the price in cardboard city.

Stravinsky and Auden called their Mephistophelean figure Nick Shadow.

He enters here as the very devil of a life insurance salesman, selling policies with a sting in the tail. Later he appears in other incarnations as a leather-clad thug, a clown, and a magician. Geoffrey Dolton, a marvellous character-player as always, makes each one come vividly to life. It is not his fault that the music was written for a more saturnine voice than his.

At first, it looks as though this is going to be a concept production in which the concept actually works, but Freeman knows little self-restraint and Opera Factory's usual clichés soon obscure the thrust of the argument.

The scene in Mother Goose's brothel is an early warning of what is to come. A chorus of punks roll about the stage, amusing themselves with a variety of kinky sex-games. (Wouldn't a Mars bar party have been more topical?)

> The Faustian theme of a rake who makes a pact with the devil easily fits the 1980s, when people sold their souls en masse for material gain. In David Freeman's production, the rake sets out in search of riches, only to end up paying the price in cardboard city

By the time of the auction scene, the production has degenerated into a knock-down sale of second-hand ideas from the experimental theatre producer's handbook.

Howard Milner as Sellem the auctioneer finds his own role under the hammer, reduced to little more than a gibbering idiot. Annabelle Cheetham is allowed to play an unexaggerated Mother Goose. Susannah Self as the bearded lady, Baba the Turk, has become a hermaphrodite; Tom McDonnell as Trulove quietly tends his geraniums.

Fortunately the main couple make a touching pair of modern youngsters. As Tom Rakewell, Mark Tucker struggles somewhat with a role that is heavy for his tenor, but wins through in the end.

*Mary Plazas* makes a delightfully vulnerable Anne Trulove, who shapes her aria with style. The most impressive contribution to the evening is the playing of the Premiere Ensemble, conducted with *elan* by Mark Wigglesworth. Stravinsky may have intended the score to be dry and ascetic, but Wigglesworth milks it for every drop of emotion.

Although there are some good things in it, this *Rake's Progress* falls short of a return to Opera Factory's best days. The world of opera has moved on since the company was founded in 1982 and, as with the Thatcher revolution, its leaders should be questioning where they go from here. Otherwise impending bankruptcy may soon decide the issue for them.

**Further performances at the Queen Elizabeth Hall until 15 May, then in Lisbon and Birmingham**

Mark Tucker, Deborah Peake-Jones, and Annabelle Cheetham in The Rake's Progress

Theatre/**Martin Hoyle**

# The Beaux' Stratagem

Dartford, early Saturday evening. Windswept wastes, closed shopping malls, streets lifeless but for the odd burger or pizza joint; and the market-vendors playfully hurling left-over fruit as they dismantle their stalls (your critic sustained a glancing blow to the right ear from an orange). All sign-posts point to the Orchard Theatre – or away from it; only yards from the building one theatre sign directs you in the opposite direction.

This text-book illustration of wanton urban misplanning is the launch pad for English Touring Theatre's production of Farquhar's second best-known comedy. *The Beaux Stratagem* is no *Recruiting Officer*: slackly plotted, incompletely characterised, unbalanced between talk and action.

Stephen Unwin's production has yet to fill out the comedy, though the central paradox emerges clearly. Already Restoration heartlessness is a thing of the past (dating from 1707, it was the tubercular playwright's last work). The two fortune-hunters may recall or anticipate the era when everything had its price, when humans were merchandise and private happiness and social expediency ran on separate and not always parallel rails; but already the soft heart of the middle-class domestic comedy of Goldsmith and Sheridan is anticipated. "So much pleasure for so much money!" muse the young bloods in search of financial prey. But the play ends with confessions, honest avowals of love and – the heart of the paradox – an argument for divorce; a forward-looking version of the traditional happy ending if there ever was one.

Jackie Brooks' design is backed by a landscape from the canvases of Richard Wilson or possibly those assertive 18th-century portraits where the landowner is dwarfed by his lovingly depicted property. Corin Buckeridge's music alternates jingling mock-Baroque with springy, folksy rhythms. The acting is straightforward, in the case of Louis Hilyer's Archer admirably so. As Mrs Sullen trapped in an impossible marriage, Deborah Findley also acknowledges the irony, with a vengeance. She plays from the arms, like Maggie Smith, stretched out as if gingerly balancing on an invisible tightrope. By the second half, this feeling for high style has degenerated into a charmless flirting with the audience.

The supporting roles are flat and, in the case of Doreen Andrew's mob-capped Lady Bountiful, needlessly self-effacing, though Faith Flint's naturalistic Dorinda makes a positive mark. The comedy needs far more pointing. That may occur in the tour to Taunton, Buxton, Harlow, Watford, Oxford, Blackpool and Richmond, not to mention a break in Istanbul and Ankara. Beware of flying aubergines.

Architecture/**Colin Amery**

# Designs to help the process of recovery

Architecture is not at the forefront of the mind when you are going into hospital, but clearly the design of the surroundings can be important in the process of cure and recovery.

I recently played a very small part in the judging procedure for a hospital design competition run by the King Edward's Hospital Fund for London, better known as The King's Fund. It has long taken an interest in improving hospital design and has the great advantage of being able to take an independent view of a field fraught with political, economic and social tensions.

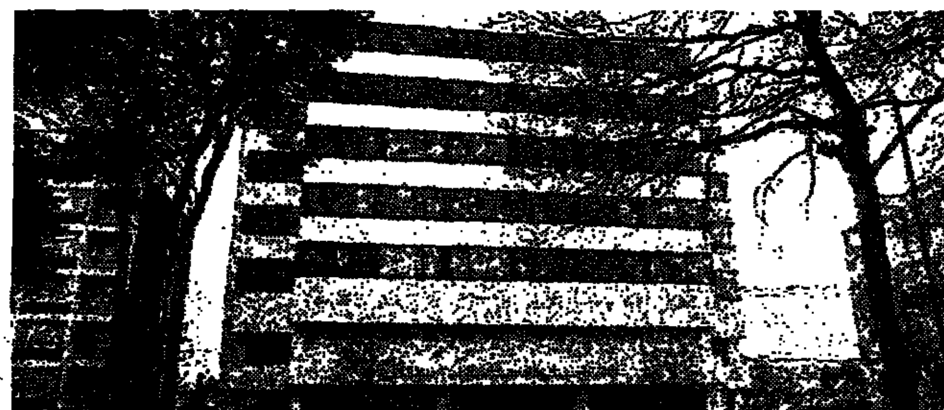
Any patient, whether in a NHS hospital or a private one, has certain expectations. First, reassurance that you are not going to be forgotten in some Kafka-like maze of corridors or left in a lift on the trolley, or put in a ward where noise and confusion mitigate against sleep and recovery. Nor do patients want to feel they are staying in either a health spa or a hotel. They appreciate institutional organisation and hierarchy that provides confidence. Patients need that starched cleanliness and a feeling that if they call out in a troubled night Florence Nightingale will be there.

Hospitals suffered in the 1970s and 1980s from an undefined belief of health authorities that large scale buildings and technology were the answer for a state system of care. The large acute hospitals built in the last two decades were neither beautiful or comforting. Architects faced almost insuperable design problems combined with lack of money.

The King's Fund was aware of these problems and commissioned two reports. The first report, by Rawlinson, Kelly and Whittlestone, looked at what had been built in England and Wales during the last 25 years. They noted that by the 1980s the NHS was building more medium sized schemes. There were recurring faults – lack of privacy; too few lavatories and bathrooms; drab decorative schemes; waiting areas that were too small. Poor car parking and signposting were criticised.

In a second report Keith Critchlow and Jon Allen of the Prince of Wales's Institute of Architecture were asked to identify criteria of excellence in hospital design. They found ignorance of aesthetic principles and an inability to convey any sense of welcome and reassurance. Critchlow and Allen concluded: "it is now clear that the requirements of technology have played a leading part in the development of modern medical practice and thereby modern hospital design. In the process, the wider and deeper range of needs of patients and staff have suffered neglect."

To supplement these useful reports the King's Fund held a design competition for examples of excellence in hospitals opened in Britain between 1980 and 1990. The judges agreed that only one person mattered: the patient. In many big new hospitals the patient still feels a cog in a medical machine. The patient is really the client; but the bureaucracy and purse strings are too powerfully in control. Even in a few years hospitals have had to change because of advances in, for example, non-invasive surgery and faster mobilisation of patients after surgery.



A comforting overall impression: the Wellington Hospital, St John's Wood

The winner of The King's Fund 1993 hospital design award is surprising. It is a 124 bed private hospital, the Wellington Hospital (North) in London's St John's Wood, designed by YRM Architects. The surprise lies in the fact that the NHS entries represent a massive national investment, yet none quite reached the standards or the level of patient satisfaction achieved by this independent hospital. The judges made allowances for the different financial positions of the hospitals visited. The Wellington won because it was simply the best designed. It solved the problems of building a large hospital on a small urban site and gave the patients light and privacy and a sense of control of their own environment. Patients and staff were interviewed by the judges and completed questionnaires to provide a broad response about the effect of the design on life in hospital. The dim entrance area and the small twin rooms were criticised. The appearance of the building is not unlike that of any modern hotel or office block but this did not seem to worry the patients, who felt comforted by the overall impression of cleanliness and efficiency.

The other four hospitals selected for commendation are all NHS hospitals and all have many virtues. Two are designed by the Percy Thomas Partnership: the Surgical Wing at Stoke; and the West Dorset General Hospital in Dorchester. Both appear much more friendly and welcoming than the winner, as they adopt a "traditional modern" approach to design with pitched roofs, brick walls opening windows and courtyards with excellent landscaping. The other two runners-up are the Homerton Hospital in Hackney designed by YRM Architects and the Royal Brompton National Heart and Lung Hospital by Watkins Grey and Partners.

All four commended schemes show how things have improved since the "hospital giantism" of the 1970s, but there is still a long way to go.

An excellent report is published with the awards, *Improving Hospital Design* by Iden Wickens.

Theatre/**Alastair Macaulay**

# The Hunchback of Notre Dame

Though Victor Hugo wrote *Notre Dame de Paris* (1831) as a novel, it was being staged soon after its publication in 1831. Thanks to Charles Laughton, it is now better known as *The Hunchback of Notre Dame*; but there have also been operas, and the ballet *Esmeralda*, which Jules Perrot made for London's Her Majesty's Theatre in 1844, has continued in Russian repertory (I saw it at the Maly in St Petersburg ten years ago).

No wonder the tale takes to the stage so well. Five very distinct leading roles; a strong mix of love and jealousy (four men all in love with one woman); an important role for the crowd; and the marvellously theatrical background of Notre Dame and the thieves' quarter of late-mediaeval Paris; not to mention the bells, the bells. All these are vividly present in Phelim McDermott's staging at the West Yorkshire Playhouse (the smaller Courtyard Theatre, downstairs) - and with only a cast of six.

A large part of the fun of this staging lies in Julian Crouch's design. As you enter the theatre, the interior of Notre Dame faces you, with all its depths and heights and windows and galleries and aisles.

Most marvellous of all is that Crouch's three-dimensional stage world is just a series of painted, two-dimensional surfaces. This kind of scene-painting went out of fashion years ago, and yet it endures in many of our minds as part of the very essence of theatre. Crouch's designs plunge you back like a child into the enchantment of toy theatre. And his most virtuoso touch of all is his skill with masks. This *Hunchback* is partly populated by gargoyles, as the six actors don grotesque masks (and gloves, and feet) inspired by mediaeval stonework.

> Jon Linstrum's excellent lighting has a masterstroke when Frollo (*Psycho*-like) stabs Phoebus; suddenly, darkness makes Notre Dame's rose window (the centre point of the set) vanish, as the priest's crime of passion wipes out his sense of God

The six also tell the story with many visually compelling images. Esmeralda's dancing, evoked in just a few slow gestures, has an ideally serious, spellbinding quality.

Jon Linstrum's excellent lighting has a masterstroke when Frollo (*Psycho*-like) stabs Phoebus; suddenly, darkness makes Notre Dame's rose window (the centre point of the set) vanish, as the priest's crime of passion wipes out his sense of God.

McDermott has a fascination with fantastic oddity - the depths of spirit that lie beneath ugly surfaces.

The hunchback Quasimodo, so touchingly set amid the gargoyles here (and played by Martin Gent), is the latest in an enthralling line of McDermott's ugly fantasticoes. One would like to see him tackle Hoffmann's *Nutcracker* (with or without Tchaikovsky's help), or Caliban (with or without Shakespeare's).

But McDermott - who works in mime, radio comedy, acting on screen and stage, direction - is an an all-rounder who has not yet learnt how to make an all-round theatrical experience. His six actors cannot handle all the plot's verbal emotion convincingly; and the pacing, amid a generally brisk narration, sometimes sags. Above all, McDermott's love of comedy overbalances the show. No *Hunchback of Notre Dame* should be lightweight, and this one is like pantomime, albeit engrossing.

It is obvious that his work is immature, and it seems probable that he clings to this immaturity (rather than attempt the polish and rhetoric of other directors' work). But he and Crouch are in love with theatrical illusion, and they make an audience love it too in a way that is all too rare.

**At the West Yorkshire Playhouse, Courtyard Theatre, Leeds, until May 21**

# INTERNATIONAL ARTS GUIDE

## ■ BERLIN

**OPERA/DANCE**

**Deutsche Oper** Wed: Karita Mattila song recital. Thurs: Lucia di Lammermoor starring Lucia Aliberti and Roberto Alagna. Fri: Götz Friedrich's new production of Schoneberg's Erwartung (Karan Armstrong) and Bartok's Duke Bluebeard's Castle (Richard Cowan and Doris Soffel). Sat: Der fliegende Holländer. Sun: Der Rosenkavalier with Karan Armstrong, Yvonne Wiedstruck and Kurt Rydl (341 0249)

**Staatsoper unter den Linden** Thurs: Daniel Barenboim conducts final performance this season of Patrice Chéreau's production of Wozzeck, with Franz Grundheber and Waltraud Meier. Sat: Die Zauberflöte. Sun: Roland Petit's ballet Dix. The Staatsoper Ballet also gives performances tonight, tomorrow, Wed and Thurs in Parochialkirche Klosterstrasse, featuring choreographies by Musial, Delente and Uotinen (200 4762/ 2035 4494)

**CONCERTS**

**Schauspielhaus** Tonight: Edo de Waart conducts Berlin Radio Symphony Orchestra in works by Barber and Richard Strauss. Wed: Riccardo Muti conducts Vienna Philharmonic Orchestra in Beethoven, Stravinsky and Tchaikovsky. Thurs: Leif Segerstam conducts Danish Radio Symphony Orchestra in Eliason, Grieg and Nielsen, with piano soloist Tzimon Barto. Sat: Kurt Sanderling conducts Berlin Symphony Orchestra in Mahler and Schostakovich, with contralto Anne Gjevang (2090 2156)

**Philharmonie** Tomorrow: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Mozart and Brahms, with piano soloist Siri Schütz. Wed: Abbado conducts Beethoven and Brahms, with piano soloist Daniel Barenboim. Thurs: Maurizio Pollini plays Beethoven piano sonatas. Fri: Glenn Miller Orchestra. Sat: John Adams conducts Berlin Radio Symphony Orchestra in Stravinsky, Satie and Adams, with soprano Roberta Alexander. The Berlin Philharmonic and Abbado are on tour in Germany, Switzerland, Italy and Austria from May 1 to 15 (2548 8132)

**Hochschule der Künste** Tomorrow: Lionel Hampton (317041)

**THEATRE**

● Oleanna: Johanna Schall directs David Mamet's powerful two-hander at Deutsches Theater Kammerspiele. Just opened (2844 1226)

● Der Reigen (La Ronde): Jürgen Gosch directs a new production of Arthur Schnitzler's cynical comedy of seduction at Deutsches Theater (2844 1225)

● Quartett: a play by east Germany's leading playwright, Heiner Müller, based on Les Liaisons Dangereuses and with a cast including 83-year-old Marianne Hoppe (Berliner Ensemble 282 3160)

## ■ NEW YORK

**THEATRE**

● Passion: Stephen Sondheim's new musical based on Igino Tarchetti's 1869 novel about a woman's unrequited love for a handsome young army captain. In previews, opening night scheduled for Thurs (Plymouth, 236 West 45th St, 239 6200)

● Carousel: Nicholas Hytner's multi-award-winning National Theatre of London production of the Rodgers and Hammerstein musical has been recreated with Michael Hayden, star of the London production, heading the American cast as Billy Bigelow (Vivian Beaumont, Lincoln Center, 239 6200)

● Angels in America: Tony Kushner's epic two-part drama conjures a vision of America at the edge of disaster. Part one is Millennium Approaches, part two is Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Medea: a transfer from London of the acclaimed Almeida production of Euripides' tragedy of revenge, starring Diana Rigg (Longacre, 220 West 48th St, 239 6200)

● Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 924 8782)

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

● The Sisters Rosensweig: Wendy Wasserstein's most successful play to date, a comedy with serious undertones about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

● She Loves Me: the 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

● Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. Featured in the cast are David Cassidy and Petula Clark (Music Box, 239 West 45th St, 239 6200)

● Crazy For You: this musical based on Gershwin's Girl Crazy recently passed its second anniversary on Broadway. A highlight of its glitzy, fluffy entertainment is Susan Stroman's wildly imaginative choreography (Shubert, 225 West 44th St, 239 6200)

**OPERA/DANCE**

**Metropolitan Opera** American Ballet Theatre opens a six-week Spring season tonight with the first of four consecutive performances of Swan Lake. The season will include Kevin McKenzie's full-length version of Nutcracker, the world premiere of a new work by Canadian-born choreographer James Kudelka, revivals of Anthony Tudor's Echoing of Trumpets and Les Sylphides, and the company premiere of Lar Lubovitch's A Brahms Symphony (362 6000)

**State Theater** New York City Ballet returns on Thurs for its Spring season, starting with a two-week run of Peter Martins' production of Sleeping Beauty (870 5570)

**CONCERTS**

**Alice Tully Hall** Tonight: Cecilia Bartoli song recital. Sun late afternoon, next Tues evening: Guarneri Quartet and friends play chamber music by Beethoven and Mendelssohn (721 6500)

**Carnegie Hall** Tonight: Jesus Lopez-Cobos conducts Cincinatti Symphony Orchestra in works by Brahms and Dvorak, with violin soloist Pinchas Zukerman (247 7800)

**Avery Fisher Hall** Tomorrow: Leonard Slatkin conducts New York Philharmonic Orchestra in works by Haydn, Debussy, Ravel and Copland, with baritone Thomas Hampson. Wed: Jane Glover conducts Orchestra of St Luke's, with soprano Jessye Norman. Thurs, Fri, Sat, next Tues: Mariss Jansons conducts NYPO in Rakhmaninov's Third Piano Concerto (Yefim Bronfman) and Sibelius' Second Symphony (875 5030)

## ■ PARIS

**DANCE/OPERA**

**Opéra Bastille** Gluck's Alceste can be seen tomorrow, Thurs, Sat and next Tues, in the Vienna Festival production staged by Achim Freyer and conducted by Graeme Jenkins, with a cast led by Maria Ewing and Gary Lakes (4473 1300)

**Palais Garnier** The next Opéra Ballet production is a revival of Rudolf Nureyev's 1992 staging of La Bayadère, opening May 5 (4742 5371)

**Théâtre des Champs-Elysées** May 2-8: Drottningholm Festival production of Grétry's Zémire et Azor (4952 5050)

**CONCERTS**

**Châtelet** Tomorrow: Kurt Mesur conducts Leipzig Gewandhaus Orchestra in Schumann's Piano Concerto (Martha Argerich) and Bruckner's Seventh Symphony. Victor Eresko gives lunchtime piano recitals today, Wed and Fri (4028 2840)

**Théâtre des Champs-Elysées** Tomorrow: Riccardo Muti conducts Vienna Philharmonic Orchestra in works by Beethoven, Stravinsky and Tchaikovsky. Wed: Roger Norrington conducts Chamber Orchestra of Europe in Stravinsky, Berlioz and Beethoven, with soprano Lorraine Hunt. Thurs: Georg Solti conducts concert performance of Cosi fan tutte, with cast headed by Anne Sofie von Otter, Luca Canonici and Olaf Bär. Fri: Charles Dutoit conducts Orchestre National de France in Mendelssohn and Liszt, with violin soloist Salvatore Accardo (4952 5050)

**Salle Pleyel** Wed, Thurs, Sat afternoon: James Conlon conducts Orchestre de Paris in works by Schumann, Dukas and Florent Schmitt (4561 0630)

**JAZZ/CABARET**

Texan singer Sonny Rhodes and his Blues Band are in residence this week at Lionel Hampton Jazz Club. Music from 10.30pm to 2am. May 2-24: soul singer Vernon Garrett (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

## ARTS GUIDE

**Monday:** Berlin, New York and Paris.
**Tuesday:** Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
**Wednesday:** France, Germany, Scandinavia.
**Thursday:** Italy, Spain, Athens, London, Prague.
**Friday:** Exhibitions Guide.

## European Cable and Satellite Business TV

(Central European Time)

**MONDAY TO FRIDAY**
**NBC/Super Channel:** FT Business Today 1330; FT Business Tonight 1730, 2230

**MONDAY**
**NBC/Super Channel:** FT Reports 1230.

**TUESDAY**
**Euronews:** FT Reports 0745, 1315, 1545, 1815, 2345

**WEDNESDAY**
**NBC/Super Channel:** FT Reports 1230

**FRIDAY**
**NBC/Super Channel:** FT Reports 1230
**Sky News:** FT Reports 0230, 2030

**SUNDAY**
**NBC/Super Channel:** FT Reports 2230
**Sky News:** FT Reports 0430, 1730;

# Monetary credentials still in doubt

**MICHAEL PROWSE on AMERICA**

Those wayward financial markets are at it again. This is the fashionable reaction in Washington to soaring US bond yields. Mr Michael Mussa, *chief economist of the* International Monetary Fund, complained last week of a market "over-reaction". Mr Lloyd Bentsen, the US treasury secretary, seemed personally affronted that yields could have risen well above 7 per cent when inflation is low and the budget deficit declining.

Inflation may remain fairly subdued for a while. But bondholders are not stupid. They are naturally worried about the highly uncertain outlook for inflation in the second half of the 1990s and beyond.

Unlike many of its trading partners, including Germany, the US managed to avoid a hyper-inflation this century. As a result it lacks a strong national consensus on the importance of stable prices. There is little appetite among politicians, the general public – or even academic economists – for tough monetary policies. Nobody is anxious to "defend the currency": the dollar is widely seen as something to be devalued as fast as possible so as to give US exporters the maximum advantage in overseas markets.

On Capitol Hill, Senators Paul Sarbannes and Jim Sasser, two senior Democrats, reacted predictably to the Federal Reserve's latest quarter-point increase in interest rates: "It seems that just as the economy is coming back up for air, the Fed shoves it back down." The response from academic luminaries was no more enlightened: Mr James Tobin, the revered Nobel laureate, described the Fed's action as an "unprovoked attack on the economy". This, note, three years into an expansion and after annualised growth of 7 per cent in the fourth quarter.

The White House, so far, is holding its tongue. But it is telling that Ms Laura Tyson, President Bill Clinton's chief economist, used a recent New York Times column to deride financial markets' fear of inflation. Such action by a senior official would be inconceivable in London, Bonn or Tokyo.

On Friday, Mr Clinton finally decided to nominate Mr Alan Blinder, a member of the Council of Economic Advisers, as vice-chairman of the Fed and Ms Janet Yellen, a Berkeley economist, to a second vacancy on the Fed's board. Had these been Supreme Court nominations, Mr Clinton would have relished his role as master of ceremonies in the White House Rose Garden. Yet although the Fed's success or failure in controlling inflation is likely to have at least as great an impact on Americans' lives as any legal decision, Mr Clinton failed to turn up in person. And the media, which obsessively analyses the lives and opinions of potential Supreme Court justices, treated the event as a boring technicality.

Against this backdrop, what guarantee is there that US inflation will stay under 5 per cent in the medium term? The commitment to low inflation in Europe and Japan is not much comfort because US inflation is largely determined by US monetary policy. Mr Alan Greenspan, the Fed chairman, admittedly says he wants "price stability", but he has yet to get the core rate significantly below 3 per cent and his second term expires in less than two years.

And the balance of power within the Fed is already shifting toward the "inflation doves". Mr Blinder and Ms Yellen are competent macro-economists. But as self-proclaimed "pragmatists" in the Keynesian tradition, they are certain to be less hawkish than the Republican appointees they replace. And as future Fed vacancies arise, the tilt towards "growth-oriented" policies will become more pronounced.

In spite of Mr Greenspan's attempts to re-educate Congress and the public, economic debate in the US is redolent of the 1960s. Policymakers from the president down still believe in a "Phillips curve" trade-off between inflation and economic growth. Fed tightening – *even the mild ¾ percentage* point so far announced – is widely seen as a heartless attack on the jobless.

Such primitive fears, of course, are not remotely justified. Indeed, it is hard to grasp how this supposedly pragmatic view ever gained economic respectability. Why should a steady decline in money's purchasing power increase general prosperity? At best the stupid process of raising prices and salaries every year for reasons entirely unrelated to economic efficiency would be neutral for growth. In practice, as Mr Greenspan has stressed, inflation nearly always destroys jobs and wealth.

The reason ought to be obvious. A steady rise in the average level of prices reduces the efficiency of the market system – the main determinant of living standards – because it blurs the crucial economic signals relayed by changes in relative prices. In the short run nobody can tell whether the rise in the price of a particular commodity reflects pertinent economic forces or merely general inflation. Nobody should thus be surprised that lower rates of inflation are historically associated not only with higher productivity, but with higher growth of productivity.

The ability of the US to generate growth and jobs should not be doubted because this task is (largely) delegated to markets. The nation's ability to control inflation, unfortunately, is far less certain because this task is delegated to highly fallible policymakers. Since the Fed moved late to tighten monetary policy and, so far, has acted tentatively, bond investors are fully justified in demanding an inflation premium. The only reliable route to lower yields – and faster economic growth – lies in more aggressive Fed action. Even that may not be enough to offset unhelpful signals from an ignorant political elite.

# Little margin for campaign error

## Ernesto Zedillo cannot assume an easy victory in Mexico's presidential race, says **Damian Fraser**

Today Mr Ernesto Zedillo begins the *third week of his campaign* to become Mexico's next president in a *political climate as difficult as* any confronted by a candidate of the governing Institutional Revolutionary Party.

As he criss-crosses the country in search of votes in August's election, Mr Zedillo must wrestle with several problems: his own party's unhappiness over his nomination; a stagnant economy; a rebellion in the southern state of Chiapas that has still not been fully suppressed; and *with growing public scepticism* over the investigation into the assassination on March 23 of Mr *Luis Donaldo Colosio*, the PRI presidential candidate whom he has replaced.

With the opposition parties weak and the PRI enjoying the benefits of 65 consecutive years in power, Mr Zedillo is the strong favourite to win. But some opinion polls show the PRI's lead has narrowed, and he cannot be sure of victory.

Mr Zedillo is, moreover, not a natural campaigner – something even his admirers admit – although political observers detect an improvement in his performance over the past two weeks. A former central bank official and budget minister, with an economics doctorate from Yale University, Mr Zedillo has never held elected office and, until last month, was hardly known outside political circles in Mexico City.

He was imposed on the party by President Carlos Salinas, who cannot be re-elected under the constitution. The opposition within the PRI to Mr Zedillo's nomination was fierce, reflecting little enthusiasm for a candidate committed to more Salinas-style pro-market reforms.

The difficulties of grooming Mr Zedillo for the presidency became apparent during a recent campaign swing in Mexico City. First, he addressed about 10,000 members of the Revolutionary Confederation of Workers and Farmers, Mexico's second-largest labour union, then a neighbourhood organisation, and finally took an almost unnoticed walk through a bus terminal.

At his first stop, the union bash, Mr Zedillo tried to identify with the working class, telling the labourers that he had worked evenings as a young boy, that his father was a humble electrician and his mother a union member. He promised generally he would govern Mexico for the workers, and propose only reforms that benefited them.

But try as he might, his clinical delivery and his self-con*sciousness made* him look more the central banker he was than the man of the people *he aspires to be.*

While glad-handing crowds is not his forte, Mr Zedillo's strengths are his intelligence and his reputation for honesty. Officials who have worked for him marvel at his administrative effectiveness and ability to marshal facts and arguments.

These qualities stood him in good stead at his second stop, a meeting of 150 neighbours in a middle-class district of Mexico City. One woman raised the problems of old people, and Mr Zedillo explained the deficiencies of Mexico's social security system, and how he would rectify them. Another asked about workplace safety rules, and the candidate impressed his audience with his knowledge of the regulations and problems of enforcement. For an hour and a half he answered questions on prostitution, urban transport, water quality, toxic waste, drug policy and other issues with clarity and ease.

Afterwards Mr Zedillo, clearly happy with his performance, said: "I like these meetings – what you call focus groups – you get to know people's real problems." Advisers say he will use such meetings, plus radio and television interviews, to improve his image.

**Zedillo's strengths are his intelligence and his reputation for honesty – not glad-handing**

But these efforts may be undermined by his unpopularity in his own party, which is forcing him to seek allies among the party old guard. Such alliances could cloud his efforts to project a clean-cut, modern image, and may constrain his freedom to act if he wins the election.

Mr Zedillo's most powerful ally is Mr Carlos Hank González, the 66-year-old agriculture minister. A former state governor, mayor of Mexico City and tourism secretary, Mr Hank Gonzalez is probably the wealthiest and most formidable member of the Salinas cabinet. He and his followers have taken over the PRI electoral machine in recent weeks, and are likely to demand top jobs in a future Zedillo administration.

"Mr Zedillo is not in charge," says Mr Miguel Basañez, head of Mori of Mexico, a polling organisation, reflecting a view that the PRI candidate has made too many concessions to the party's old guard. "He is bringing back people who are very threatening and who want to return to the ways of the past."

While no evidence has been produced, opinion polls indicate widespread public suspicions that some members of the PRI were involved in the killing of Mr Colosio, who represented the modern, reformist wing of the party. He posed a threat to influential party officials who opposed, among other things, his plans to shake up the PRI, his attempts to make the election process more transparent, and his pro-market economics.

The special prosecutor overseeing the investigation fed such theories when he concluded that six people aided the assassin who has confessed to killing Mr Colosio, and had four of them, including a PRI official, arrested. Though the PRI official has been released, the suspicion lingers that individuals within the PRI could have had a hand in Mr Colosio's death. Mr Zedillo's campaign could thus be hurt.

**Suspicion lingers that members of the PRI could have had a hand in Colosio's death**

His problems extend well beyond the investigation, however. Political instability and the rise in *US bond yields* meant the peso nudged the lower limit of its fluctuation band against the dollar, which forced the Mexican government to raise domestic interest rates from 8.8 per cent in late February to 18 per cent last week. This will postpone the recovery which the PRI had hoped would guarantee electoral triumph. *Most economists* now expect another period of flat growth in the first half of this year, after the modest 0.4 per cent economic expansion last year. Growing concerns over the economy have contributed to a fall about 20per cent *in* Mexico's principal stock market index since early February, even though the market rallied strongly late last week as investors picked up bargains.

The government may have to maintain interest rates at current high levels, which will choke economic growth still further, in order to avoid a *politically* costly devaluation out of the exchange rate band. The PRI has made a stable *exchange rate the* centrepiece of its economic strategy.

Amid the political and economic gloom, Mr Zedillo can take comfort from the *fact that* neither of the main opposition candidates inspires much voter enthusiasm. *Mr Cuauhtémoc* Cárdenas, of the leftwing party of Democratic Revolution, is distrusted by *many* investors for his populist views, and some fear that, if he were to displace the *deeply entrenched* PRI, his election would lead to serious civil conflict and an economic *crisis*.

Mr Diego Fernández de Cevallos, the candidate of the centre-right *opposition* who is trailing third in the polls, is hardly known nationally. His National Action party has no support in the agricultural south, and is seen by many as too *socially conservative* and pro-business.

Mr Zedillo enjoys other advantages: *the principal tele*vision networks openly support him, and the PRI has more money and is better at getting its supporters to the polls than its opponents. Even *allowing for recession, polls* show people generally feel better off than in 1988, when President Salinas came to power.

But in a year of many surprises, no *PRI* organiser is taking anything for granted. As Mr Zedillo takes to the campaign trail, he has little margin for error.

Jose Luis Magana

Ernesto Zedillo: a banker aspiring to be a man of the people



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Russian courtesy

*From Mr P N Solares.*

Sir, Efficiency and helpfulness are not the west's usual view of Russians. Nevertheless, my experience last week in St Petersburg certainly had traits of both.

The night before travelling back to London I realised that I had lost my air ticket. Next morning I went to have the ticket replaced at the hotel travel agent. The agent phoned KLM and was told that the Hermitage Museum had reported that a ticket with my name on it had been found in the coat check area and was being held for me at the museum. I went to retrieve the ticket with the aid of a taxi driver who accompanied me all the way into the administration area of the museum. The whole process took about three-quarters of an hour.

I doubt museum staff and taxi drivers in western cities would have bothered.

P N Solares,
*senior vice-president,*
*Banco Mercantil,*
*London Representative Office,*
*One Gracechurch Street,*
*London EC3V 0DD*

## Waste cost

*From Mr J R Pugh.*

Sir, Your report about funding packaging waste recovery was appropriately headed "Recycling levy must fall on consumers" (April 14). The text, however, also suggested this association called for "a levy on retailers to help pay for recycling proposals".

To avoid misunderstanding, may I make it clear that what we propose is a levy not on retailers as such but on packaged goods, collected at retailer point of sale. We believe this is the only point in the packaging chain at which a levy can be applied fairly to *cover all forms of imported* packaging as well as that originating in the UK. It is also the *point at which the cost of* waste recovery will be apparent to the consumer.

J R Pugh,
*chief executive,*
*Packaging and Industrial Films Association,*
*2 Mayfair Court,*
*North Gate, New Basford,*
*Nottingham*
*NG7 7GR*

## Actions by EC strike at the principle of subsidiarity

*From Mr Leolin Price QC.*

Sir, On two successive days you reported items which ought to provoke serious concern about European Union affairs.

Your article "EC set to back Cardiff Barrage" (April 21) indicated that the (Greek) environment commissioner has insisted on additional work to protect wading birds, and that the UK *government's* reaction *to* this has delayed work on the barrage. If the principle of *subsidiarity* has meaning and importance we ought to be able to assume that the Union will in future leave such matters, in this country, to be dealt with by *us*; and in such matters an expensive and wholly unnecessary extra tier of government (Union government) and government activity will be abandoned.

On April 22, you reported a suddenly imposed quota on Chinese silk imports into the Union ("Britain's silk imports boom cut short as Brussels imposes quota"). The incompetence demonstrated in this is reflected in the number of UK retailers which have placed and paid for substantial imports of Chinese silk goods which they cannot now import. But – and this is much more significant and worrying – this Union government action highlights the extent to which protectionist Union attitudes now extend far beyond the boundaries of the indefensibly selfish Common Agricultural Policy.

Leolin Price,
*10 Old Square,*
*Lincoln's Inn,*
*London WC2A 3SU*

## No sacrifices on altar of free trade

*From Mr Stephen Saint-Leger.*

Sir, Having returned to Europe after a period working in Japan, I feel it is my duty to combat the Euro-masochism that is no doubt heir *to* past British self-bashing, as expressed in Martin Wolf's recent feature ("A fortress would be no defence", April 15). It is easy to select certain statistics showing higher European wage costs *per hour* and public spending, and conclude that our tendency to regulate certain market excesses is harmful. However, if you look at other parts of the jigsaw, this fallacy becomes apparent.

True, public spending and direct taxes in France are higher than in Japan. But the Japanese have to offset their lack of a social safety net with a huge savings rate, and no-one familiar with Japan would pretend that the Japanese standard of living is superior to that of their French (or British) counterparts.

True, employment growth in the US over the past decades has outstripped that *of* Europe. But as Robert Reich, US labour secretary, himself points out, *average non-farm private-sector real* earnings have fallen more than 10 per cent in the last 20 years in the US. *During* the same period French and British real wage gains were well into double figures, and European productivity as a whole grew at an average annual rate more than twice that of the US's.

This also corresponds to a dramatic fall in US manufacturing jobs and the decimation of whole industries once and for all (rather like Britain in the early 1980s). Perhaps US labour is competitive, but could Mr Wolf list what proportion of goods he owns or buys are made in the US?

Free-trade is all very well as long as the playing field is level, which it is not. Why should we sacrifice our labour force on this altar when Asian workers are willing to toil *under conditions analogous* to 19th century Europe? Why should we give back a centu*ry's advance in average* living standards (including its social element) by throwing the door *open to those who will* ruthlessly undercut us on price and social benefits, while resisting *penetration* of *their* own markets in industries where they are not yet up to speed?

*The closing* years of this century are, as always, about economic survival. Asian countries have *neither doubts* nor qualms on that score. The US is, somewhat late in the day, *waking up to the facts*. Europe should learn the lesson and protect *its* interests. Otherwise, the recent *signs of social* unrest in France will seem like a tea-party compared with *what is to come*, Europe-wide.

Stephen Saint-Leger
*20 Southwood Lane*
*London N6 5EE*

## More than one measure of executive performance

*From Mr Mark Goyder.*

Sir, Your article, "Avoid the BP trap" (April 15), describes the difficulty boards are experiencing in choosing a set of performance criteria on which to base executive incentives.

But why the assumption that the performance of your directors can or should be reduced to a single financial measure, such as earnings or share price, measured over an arbitrary time period such as 12 months? As the recent report of the RSA Tomorrow's Company Inquiry explained, business success is likely to be a complex blend of success in relationships with customers, employees, suppliers, investors and the community. Good work in each of those areas finds its way through to earnings or the share price over different timescales.

The real problem which boards face in determining executive remuneration is how to devise a measurement system that stays simple, but does justice to the true sources of sustainable company success. What boards measure and why is one of the issues which the Tomorrow's Company Inquiry team is tackling in the case studies which form the next stage in our investigation.

Mark Goyder,
*programme director,*
*RSA Inquiry, Tomorrow's Company,*
*8 John Adam Street,*
*London WC2N 6EZ*

# FINANCIAL TIMES

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Monday April 25 1994


## The road from Marrakesh

With the signature of the Uruguay Round accord in Marrakesh this month, world trade policy has crossed a threshold – possibly a watershed. The deal breaks new ground by extending Gatt disciplines to important areas, including services, agriculture and textiles; by reinforcing the Gatt system through the planned World Trade Organisation; and by enshrining a far stronger commitment to multilateral rules by developing countries, notably in Asia and Latin America.

The task now is to entrench and build on these achievements. The immediate priority is speedy legislative ratification of the round, so that it and the WTO begin operating at the start of next year. Delays – particularly in the US, the European Union or Japan – could slow, or even reverse, the momentum of liberalisation. Only when that risk is removed can policymakers tackle in earnest the bigger challenges ahead.

The first such challenge is to continue eliminating obstacles to trade. Though the round covers in principle most categories of trade, concrete arrangements for opening many services markets remain to be negotiated. In sectors such as agriculture and textiles, governments have to show that they will implement agreed liberalisation timetables. Given political sensitivities, that is far from a foregone conclusion.

Furthermore, liberalisation is an unending process. In future, it will increasingly be focused on obstacles created by countries' domestic policies. That thrust reflects in part the Gatt's past successes in lowering barriers to visible trade at frontiers. It is also dictated by the expansion of international trade in services and the growing importance of cross-border capital flows as an engine of economic integration. However, devising multilateral rules which promote free competition, while respecting genuine national diversity, will require much skill.

### Orderly mechanisms

It will also test the WTO's ambitions to supersede trade rounds by acting as a permanent negotiating forum. That would reduce the protracted negotiations, brinkmanship and risk of irretrievable breakdown which have bedevilled past rounds. But it is still unclear whether the WTO's more orderly mechanisms will produce the decisive agreements which have so far required the complex international trade-offs and political dynamics generated by a full-scale round.

Consensus will not be made easier by pressures to load the WTO's agenda with contentious new issues, such as environment policy and workers' rights. The industrialised powers' demands for action on these questions have already created severe frictions with developing countries, which fear they are simply a pretext for trade protection.

### Rigorous analysis

The links between trade and areas such as environment are still poorly understood. What constructive policy measures are necessary or possible is even less certain. Much rigorous analysis and debate is needed to define the issues more clearly and to prevent the agenda from being hijacked by powerful lobbies with a tenuous commitment to free trade.

The biggest challenge of all is to guard against a relapse into bilateral policies and protectionism, particularly before the WTO is in place. Bilateralism can most effectively be checked by an international effort to help the US out of the hole it has dug in its dealings with Japan. Tokyo needs to play its part by pressing ahead with domestic liberalisation. But the US must also want to be helped.

Washington has often argued that its bilateral trade initiatives were necessitated by the deficiencies of the Gatt disputes procedures. These will be much strengthened once the WTO is operating. However, Washington's recent row with Ottawa over grain imports – in which the former has baulked at the findings of a disputes panel it helped set up – suggests a disturbing reluctance to accept independent rulings which disagree with US interests.

International economic recovery should make an outbreak of protection less likely. However, that risk remains while unemployment stays high, notably in Europe. It makes still more essential the pursuit of sound macro-economic policies and vigorous structural reforms. In the last analysis, effective domestic policies are the best guarantee of free world trade.

## Government in slow motion

When governments are in difficulty, political survival becomes the order of the day. The effects of this are showing all too clearly inside Mr John Major's government.

As the FT's story today about the Department of Trade and Industry demonstrates, a kind of decision paralysis sets in. Important measures promised by political leaders in an earlier flush of success get bogged down. Small considerations, which in normal times would be brushed aside, are transformed into impassable obstacles. Departmental in-fighting betrays the erosion of trust between ministers. Above all, the fear of embarrassment and controversy begins to smother all initiative-taking, stalling measures both bad and good. Almost any forthcoming event, like the local elections, and then the European elections, becomes an excuse for delay.

Although our story focuses specifically on the DTI, the accusation of inaction could be levelled against most departments. But it is especially relevant to the DTI because of the measurable costs which can be incurred by its hesitations and because it casts a somewhat ironic light upon Mr Michael Heseltine, who as President of the Board of Trade, heads the department. Mr Heseltine is a man who likes to present himself as someone who gets things done, which is part of his renewed appeal on the Tory backbenches as a potential successor to Mr Major.

Inaction at the DTI can have wide repercussions. Mr Heseltine's failure to proceed with either the review of nuclear power or gas deregulation – both of which he promised at the end of last year – is creating considerable uncertainty in both those industries, particularly in gas, where billions of pounds worth of investment are at stake.

### Public vacillation

Meanwhile, the head of the Post Office has repeatedly given vent to frustration over the months of public vacillation about whether to privatise his organisation, which as a result is planning in the dark. Likewise, those whose businesses or livelihoods depend on agencies like Companies House and the Patent Office, also sell-off candidates, must be resigning themselves to a long wait. It is inevitable in such circumstances that a certain blight falls upon organisations whose future is in such doubt.

The uncertainty might be less damaging if it were clear why decisions are being postponed. In the case of the Post Office, some think that Mr Heseltine's own statements in favour of privatisation should be seen not as an attempt to woo reluctant backbenchers towards a risky line of policy, but primarily as a further manifestation of unfamiliar right-of-centre credentials ahead of a potential leadership struggle this autumn.

### Hostile lobbies

To be fair to Mr Heseltine, he is also having to juggle with limited parliamentary time, and some of his measures, notably the nuclear review, need to be carefully weighed to meet the strong likelihood of legal challenge by hostile lobbies. Nor will Mr Heseltine easily forget the experience of piloting through changes to the coal industry, which he thought he had clearly signalled, only to find himself at the centre of a violent parliamentary rebellion.

In some areas of policy, Mr Heseltine also has the excuse that he is trying to link decisions to give them greater strategic coherence; this, for example, appears to be the reasoning behind the delay in auctioning the franchise for a fifth television channel, which has become bound up with the future of the BBC and a wider review of cross-media ownership. Such strategic thinking, wholly absent from the 1990 Broadcasting Act, is to be welcome, so long as it does not merely become an excuse for avoiding necessary decisions.

The fear is that a government caught between consolidators on one hand and activists on the other will become tangled in the web of its own self-doubt. A government which lacks the courage to deal with any but the most harmless measures can easily lose perspective on what is important and what is not. Mr Major should be aware of these wider risks of indecisiveness both for the economy and for the government's own credibility.

# Final march of the old guard

**As more EU leaders step down or are cast aside, the European ideal is under challenge, says David Marsh**

Following the revolutions in the east, Europe is now coping with upheavals in the west. Five years after the surge of central and eastern European discontent that led to the fall of the Berlin Wall, the ground is shifting under western Europe's political leadership.

Four weeks after Italy's general election, and with the countdown under way to polls in the Netherlands on May 3 and for the European parliament on June 9 and 12, the continent is in the the midst of a period of intense electioneering.

Coming political contests also include Germany's general election in October and the presidential tussle in France in May 1995. By summer next year, most of the leaders who launched a dynamic phase of European integration leading to agreement on the Maastricht treaty are likely to have left office.

The Maastricht summit in December 1991 represented a high point both in enthusiasm for European union and for the careers of a remarkably long-lived set of European leaders. Of the 13 main participants at Maastricht, 11 had been in office (some for more than one spell) for six years or more. Since then, their political fortunes, like the European economy, have turned down. Five of the 13 have left office. At least three more will go over the next year. Of the 24 European Union finance and foreign ministers who signed the treaty in February 1992, only seven remain.

The new generation must manage a difficult transition. Europe's challenges include:

- Handling the slow recovery from recession, in one of the most difficult periods for the European economy since the 1930s depression;
- Finding a common foreign and security policy to counter instability in former Yugoslavia, the ex-Soviet Union and northern Africa;
- Holding the 1996 conference to renew the EU's structure and preparing for enlargement to eastern Europe after the planned 1995 accession of Austria, Finland, Norway and Sweden;
- Rediscovering currency stability following the exchange rate mechanism's collapse in 1993 and doubts over the Maastricht goal of economic and monetary union (Emu) by 1997-99;
- And re-establishing fiscal control after a rise in government borrowing to well above Maastricht Emu targets.

The Maastricht treaty has become law, but it looks out of kilter with public opinion. The latest opinion surveys in Brussels show only 39 per cent of EU voters support the treaty, with 22 per cent against it and 39 per cent undecided.

Most governments expect a large protest vote in the European elections. The treaty gives the parliament greater powers. Yet an increased number of anti-Maastricht MEPs is likely to enter the Strasbourg chamber.

"The elections are taking place at the worst possible juncture – a time of malaise and disdain," says Mr Michael Stürmer, director of the Stiftung Wissenschaft und Politik, a German government policy think-tank. "All governments have failed to explain to their populations why Europe is good for them."

Political and economic strains have undermined earlier assumptions about European integration. No government at present wants to press for initiatives ahead of the 1996 Maastricht review conference. This includes reconstructing the ERM. Mr Erik Hoffmeyer, governor of the Danish national bank, and Europe's longest-serving central bank chief, says last summer's break-up of the narrow-margin ERM has led to a "vacuum" in Emu planning. "This setback has paralysed the political process."

The changes in Italy, a traditional supporter of European union, are particularly striking. The new government to be formed soon, probably under Mr Silvio Berlusconi, is likely to be more inward-looking than administrations run by the now-eclipsed Christian Democrats over the last 40 years.

Most EU members' policies are increasingly focused on national interests. This is underlined by France's support for its farmers during Gatt negotiations, the row between Greece and the EU over Macedonia, and Britain's attempt to maintain its EU voting power after next year's enlargement.

Priorities seem to be switching in Germany and France, the main partners behind European co-operation. Pointing to unrest in the former Soviet Union and the Maghreb, Mr Richard Portes, director of the London-based Centre for Economic Policy Research, says: "Germany will be looking more to its interests in the east, France to its interests in the south.

**EU elections 1994-96**

| | | |
|---|---|---|
| Italy | Parliament | 27-28 March 1994 |
| Netherlands | Parliament | May 94 |
| EC states | European Parliament | June 94 |
| Luxembourg | Lower Chamber | June 94 |
| Germany | Parliament | Oct 94 |
| Denmark | Parliament | Dec 94 |
| France | President | May 95 |
| Belgium | Parliament | Autumn 95 |
| Portugal | Parliament | Oct 95 |
| Spain*, UK* | Parliament | Possibly in 1996 |

*The Spanish and UK elections will probably be held before their June and April 1997 deadlines respectively.

**The 13 men of Maastricht**

Total years in office as of Dec 1991

| | | |
|---|---|---|
| Wilfried Martens | Belgium | 12 |
| François Mitterrand* | France | 10 |
| Poul Schlüter† | Denmark | 9 |
| Ruud Lubbers* | Netherlands | 9 |
| Felipe González | Spain | 9 |
| Helmut Kohl | Germany | 9 |
| Giulio Andreotti† | Italy | 8 |
| Jacques Santer* | Luxembourg | 7 |
| Charles Haughey† | Ireland | 7 |
| Jacques Delors* | EC president | 6 |
| Anibal Cavaco Silva | Portugal | 6 |
| Constantine Mitsotakis† | Greece | 1 |
| John Major | UK | 1 |

*Facing election or end of office by 1995. †Have left office.

These are diverging perspectives."

A crucial factor behind the Maastricht treaty was the French and German governments' desire to reinforce the framework of integration to tie reunited Germany to western Europe. Leading figures in France and Germany admit that the plan to subsume the D-Mark into a single European currency was based partly on the perceived need to restrain German power. As ex-President Valéry Giscard d'Estaing recently put it, "We need an organised Europe to escape German domination."

However, the German electorate's hostility to abandoning the D-Mark has added to the difficulties of realising Emu. Chancellor Helmut Kohl says he no longer wants "the united states of Europe" – a goal he formerly specifically endorsed.

According to Prof Elisabeth Noelle-Neumann, head of Germany's Allensbach opinion research institute, whose polls are influential with Mr Kohl, "There is a great determination in Germany not to go towards a federal European state. People want to keep national variations unchanged. Before Maastricht, this was not an issue."

Ms Noelle-Neumann's surveys show German opposition to Emu has softened recently because many Germans believe its prospects have receded. On the balance between deepening western European integration and extending the EU eastwards, Ms Noelle-Neumann says Germans have "an unswerving wish" to open Europe to the east. "This could create difficulties with France, Italy and Spain."

In France, business leaders recall Mr Edouard Balladur, the prime minister, a possible successor to President François Mitterrand, previously voiced strong doubts about Emu. "Union or not, we have to solve our own problems," says Mr Gérard Worms, chairman of France's Suez financial conglomerate. "What will happen in 1997 or 1999 is not the most important question."

One top French official says wistfully, "If the Soviet Union had not fallen, we could have had a triangular relationship between West Germany, Britain and France."

All hope for the Maastricht blueprint has not been lost. Economic recovery will rekindle enthusiasm for western European integration, just as it revived after the 1981-82 recession. The Union is likely to find a more coherent policy to deal with turbulence on its borders. Whatever the German population's scepticism, the German government will not want to escape its treaty commitment to Emu. None the less, as Europe's political landscape changes, none of these three forecasts can be assured. As the 1980s leaders disappear from the stage, the objectives they espoused, too, may start to fade from view.

# Through a brick wall

**Richard Donkin on the increase in skilled craftswomen**

Ms Cassandra Benjamin's firm handshake says more than any national vocation qualification about her abilities as a bricklayer. "Generally I can lift more bricks than men. A lot of them can't hack it anyway," she says with a smile. She has earned the right to be confident the hard way, proving herself in what remains a male-dominated occupation in the UK.

Ms Benjamin, who trains women bricklayers, is a role model for her colleagues. They say she was once asked by a building supplier if she was able to lift the 14lb sledge-hammer he sold her. She ignored the comment, returning to her workplace, and demolished a brick wall 20ft high in the next two hours.

According to many women who work in construction, the industry remains a bastion of male prejudice, where traditional attitudes towards the workplace roles of men and women are stubbornly preserved.

Sir Clifford Chetwood, chairman of the Construction Industry Training Board, the statutory body that provides craft training for the UK industry, says such attitudes must change if the industry is to escape a skills shortage as the UK emerges from recession.

He forecasts that 10 per cent of jobs in the construction industry will need to be filled by women within the next five years, because there will be too few skilled men. Women currently comprise fewer than 1 per cent of the 800,000 manual workers in the UK industry, and few of them are in skilled craft jobs.

Sir Clifford urges greater government support for unemployed women and single mothers to undergo skills training. Women who receive craft training, he argues, prove more assiduous in achieving the qualifications and are less likely to drop out than men.

He highlights the work of Women's Education in Building (Web), a north London-based charity committed to improving women's craft skills. In 10 years, the centre has trained nearly 800 women in construction trades, including carpentry, plastering, plumbing and bricklaying.

Part of the course involves developing the ability to handle harassment and insensitivity from some male colleagues. The need to do so is made clear to trainees by Ms Takumba Ria Lawal, Web's training manager and a colleague of Ms Benjamin. Her first job as a qualified carpenter was fitting out some London penthouse flats. In that and subsequent jobs, she recalls, she had to earn the respect of her male workmates. "The first thing I would be told was: 'Don't think I'm being disrespectful, love, but if the quality of work goes down, you'll be the first to go'."

Ms Caroline Hughes, a plumbing trainee at Web, is learning the roofing technique of lead bossing – shaping it with tools: "I'm the sort of woman who had to get men in to mend the washing machine, but now I can fix things myself."

She worked in a hairdressing salon after leaving school at 16. "Things like woodwork and metalwork at school were for the boys. We had to learn cookery and needle work. We never had any career advice. The hairdressing was no kind of job, but this is stimulating and challenging." Now 34, she feels she is pursuing a worthwhile career for the first time.

The public, voluntary and self-employed sectors remain the largest employers of craftswomen, says Ms Louisa Blackwell, a former quantity surveyor, now doing research at City University, London.

Women who have joined private companies often find the atmosphere difficult, she says. "I would defy any woman who has worked in the construction industry to say she has not experienced sexual harassment, be it offensive language, pornography or implications that she cannot do the work.

"Women find there are insufficient support frameworks in small firms, whereas the public sector tends to have unions, personnel or equal opportunity officers that they can turn to for help."

Cuts in staff employed directly by local authorities, one of the biggest areas of work for craftswomen, have forced many women to become self-employed, she says, but this is having a positive spin-off. "They are finding that it is possible to market yourself as a woman. A lot of women householders, particularly older people, feel more comfortable engaging a tradeswoman."

Ms Allison Ogden, Web director, believes that centres like hers, which provide help with childcare, are offering women opportunities they would previously have been unable to find. Nearly half the women attracted to its courses have been lone mothers who want to earn traditional "men's wages".

Some 44 similar training centres have been established in the UK, registered with the Women's Training Network in Sheffield. The network supervises grants from the European Social Fund, which provides 45 per cent of the centre's funds. The rest comes from local government, but training organisers such as the the Construction Industry Training Board and Web believe there should be greater support from central government.

Ms Ogden says: "If the government is serious about its commitment to going back to basics, it should do more to provide childcare for women who want to train for traditional trades. Surely this type of training should be made universally available by a government that is so anxious about single mothers?" The answer will depend partly on demand and partly on the willingness of the industry to accommodate craftswomen.

# OBSERVER

IN SOUTH AFRICA

## Spin doctor magic

■ Sir Tim Bell, Baroness Thatcher's favourite public relations' man, clearly relishes challenges. Last week he was dodging the flak from his over-enthusiastic promotion of the D-day celebrations. In South Africa Sir Tim's outfit is now trying to sell the National Party – which brought you apartheid – to black voters.

Sir Tim is buoyant: "We've doubled our share of the vote since November and the momentum is still coming our way," he says, unprepared to accept that the Nats might lose. Maybe he's paid too much attention to his own briefing papers, the latest of which has fallen in Observer's hands.

It reports that the Nats will "trounce" Nelson Mandela's African National Congress in Northern Cape province; "is ahead of the ANC by 13 per cent in Western Cape"; "in the Northeast, Orange Free State, Eastern Cape and Eastern Transvaal NP support has doubled"; and ANC support has "shrunken from 71 to 54 per cent since last December".

The memo adds that, in the economy's heartland, the Pretoria-Witwatersrand region, Nat support has risen from 14 per cent to 29 per cent. "The NP is poised to spring a real surprise on April 27-28th," it concludes. Don't hold your breath.

## Vest in time

■ Business in bullet-proof vests has been "brisk", reports the Ballistic Body Armour Company. Its Johannesburg plant is weekly producing some 500 vests, at £400 apiece.

Its director, Philip Cadman, emigrated from Britain in 1965 and draws on experience gained "in Northern Ireland and elswhere". When he set up in South Africa he couldn't "access international materials", a polite euphemism referring to sanctions.

Do the vests work? "We have had four or five saves in the past couple of weeks," he says. Saves? "The vests stopped bullets."

## Lunch in sights

■ The Ritz restaurant in a northern Johannesburg enclave of the white and well-off offers more than fine food. The gentleman at the entrance, with a distinctly authoritative air, is not the maitre d'. He packs either an Uzi machine pistol or a sawn-off shotgun; both


'Piet's gone into the laager'

tried and tested methods of ensuring hold-up artists get their deserts.

## Free, fair, fuddled

■ Commonwealth observers once monitored elections to see if they were "free and fair"; no more. Still smarting from the bashing they took after giving the nod to Kenya's December 1992 election in the face of widespread electoral abuse, the observers in South Africa – led by former Jamaican premier Michael Manley – have given themselves plenty of leeway.

Their terms of reference require them to – take a deep breath – "consider the various factors impinging on the credibility of the electoral process as a whole and determine in its own judgment whether the conditions exist for a free expression of will by the electors and if the result of the election reflects the wishes of the people". Simple, really.

## Bullet point memo

■ "It has been observed that a number of personnel are bringing firearms into the building," notes a memo circulating in one of the country's largest mining houses. It sternly points out that stashing a pistol in your office drawer is illegal: "Firearms not carried on a person must be locked away in a gun locker." All is not lost. The memo concludes: "As a service to personnel it has been decided to instal gun lockers at the main entrances of the buildings."

## Nat's anthem

■ Dropped from the Cape Town weekend finale of the FW de Klerk roadshow was the stirring hymn *Nkosi Sikelel i'Afrika* – God Bless Africa.

Long the unofficial anthem of black southern Africa and recently adopted as one of South Africa's two official national anthems, the hymn brought last week's Johannesburg NP rally to a poignant conclusion. But that otherwise impeccably orchestrated event ended on an embarrassing note – President De Klerk clearly did not know the words.

## And now, the news

■ In the bad old days, the South African Broadcasting Corporation was utterly under the thumb of the ruling National Party. Fortunately, the ANC is committed to an independent state broadcasting system.

So the top three posts on the new SABC board are all occupied by ANC supporters, including Zwelakhe Sisulu, former editor of the pro-ANC newspaper The New Nation. Walter Sisulu, once of the most senior executive members of the party, is his dad.

Maybe they should pin on the office walls some lines from William Blake:

*The iron hand crushed the tyrant's head,*
*And became a tyrant in his stead.*

**Michael Holman**

FINANCIAL TIMES
Monday April 25 1994



Japan's incoming prime minister calls for unity

# Hata seeks party pact to tackle urgent issues

By William Dawkins in Tokyo

Mr Tsutomu Hata, due to be elected Japan's prime minister in a parliamentary vote today, has called for a "grand union" of the country's political parties.

"I doubt whether it is desirable to have many political parties involved, when urgent action is required," said Mr Hata, who will head a seven party coalition government.

He was referring to the need for unity on the main issues his new government faces, including tax reform, response to the North Korea nuclear threat, a solution to the trade row with the US and economic deregulation.

Mr Hata wants to form a "unified force" strong enough to compete against the opposition Liberal Democratic party. He plans to discuss his ideas with potential allies; this would include co-operation in election campaigns.

However, he thought it would be "hasty" to call a general election as soon as new electoral boundaries were drawn, possibly by autumn.

The current coalition embraces parties from the extreme left to the religious right. But policy rows paralysed government before the resignation of prime minister Morihiro Hosokawa over allegations of financial impropriety.

Talented technocrat rides his luck ............Page 5

A record 11 parties are now represented in the lower house of parliament, following the formation of three new parties last week.

Mr Hata indicated in a television interview that he would seek a consensus between members of government. He rejected suggestions that Mr Ichiro Ozawa, backroom strategist of the previous government and deputy leader of his own Japan Renewal party, would control policy.

The test of Mr Hata's will to strike a consensus between coalition members will come when he chooses a cabinet. JRP officials said he was looking for "moderate" changes from the existing line-up to reflect a broader agenda than that of the previous administration, whose main task was to win agreement on four political reform bills.

Separately, Mr Hata indicated that he planned to relaunch the long-running argument over Japan's role in international affairs by calling for a national debate on the country's pacifist constitution. Japan should respect its constitutional ban on the use of force as a threat or means of settling international disputes, but "I think active debate is necessary on the issue."

# OECD may agree code of practice against corruption

By George Graham in Washington

An international policy to combat bribery and corruption around the world could be agreed this week at a meeting in Paris of the Organisation of Economic Co-operation and Development.

The grouping of 24 industrialised nations has been working for years on a code of practice on corruption, but the issue has been given a fresh urgency by the US, which in the last year has stepped up its efforts to secure a tough OECD policy.

Although all countries outlaw bribery of their own officials, the US's foreign corrupt practices act is the only legislation in the OECD that criminalises the payment of a bribe to the official of another country.

Mr Warren Christopher, the US secretary of state, has complained that US companies are losing hundreds of millions of dollars in contracts every year because they are unable to match their competitors' bribes.

Officials believe they are now within reach of a compromise between countries which, like the US, want a strong commitment from all members to clamp down on bribery, and others which want to retain more flexibility.

The issue is due to be discussed today at an OECD meeting on investment, and could be followed up by a final decision on Friday. "The chances are better than even, but by no means a lead pipe cinch," said one official.

The OECD secretariat has tried to draft a declaration that bridges the gap between, on the one hand, declaring that countries will take the steps necessary to combat bribery – and listing those steps – and, on the other, saying countries will take the steps they may deem necessary.

Among the steps proposed are measures to ensure that bribes paid by companies are not treated as tax-deductible business expenses; to deny government contracts to companies which engage in bribery; and to make the payment of a bribe overseas a criminal offence.

Criminalisation, however, raises complex questions about the extraterritorial reach of national laws.

The countries which are pushing for a tougher stance on bribery hope that the OECD policy can be accompanied by clear statements from member countries of the concrete steps they plan to take to fulfil their commitments.

# EU quotas on Chinese goods to spark rush for licences

By Richard Donkin and Jenny Luesby in London

Import licensing offices across Europe will need to burn the midnight oil tonight if they want to give their nationals an opportunity to compete for licences to bring restricted Chinese goods into the union.

The imposition of import quotas is expected to lead to a last-minute scramble among traders for licences to import a range of Chinese goods, from leather gloves to car radios, crockery and glassware.

The rush of applications has been triggered by the European Council's decision in February to harmonise national restrictions and impose stiff quotas on selected Chinese exports.

The first tranche of applications from traditional importers has already been accepted. The latest applications are from importers who don't regularly trade with China.

The EU introduced a three-day period for processing licence applications running from midnight tonight until Thursday afternoon in the expectation that there would be excess demand for licences. Applications are to be dealt with on a first come first served basis.

Britain's Department of Trade and Industry said it expected long queues of traders eager to have their applications considered. If traders miss Thursday's deadline, they may not be able to import goods covered by quotas.

The import restraints are causing fears among UK retailers that some businesses could go under because of the harshness of the restrictions. British silk and toy importers have claimed that the quotas have left them with goods worth millions of pounds in Asia which now they may be unable to import.

Toy importers say that the EU quota, of just under Ecu628m ($709m), represents a cut of about 25 per cent in Chinese toy imports into Europe.

The other six quotas are:

- leather or composition leather gloves, limited to just under Ecu76m;
- footwear, limited to just over 76m pairs;
- porcelain and china crockery, limited to 30,875 tonne;
- ceramic crockery, limited to 23,513 tonne;
- domestic glassware, limited to 8,708 tonne; and,
- plug-in and car radios, including radio-telephony or radio-telegraphy receivers, limited to around 1.79m units.

A number of sports goods have been excluded from the quotas, notably sporting gloves, ski boots and some sports shoes, to the relief of companies such as Reebok and Nike, which make training shoes in China.

Safety clothing shortage, Page 8

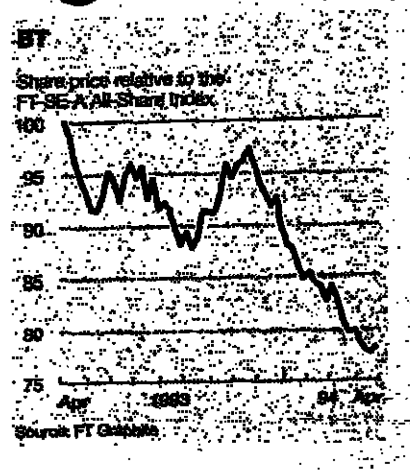
THE LEX COLUMN

# Calling for growth

Sir Iain Vallance, BT's chairman, is fond of arguing that telecommunications should not be lumped together with other privatised utilities. The implication is that an exciting telecommunications company should be more highly rated than a boring energy or water utility. The market believed that story for a while in the early 1990s when BT's yield was roughly on a par with the market's, but the stock's 20 per cent under-performance since November means it is back in the same ball park as most other utilities.

The sharp derating of what is still by a whisker the London market's most highly capitalised company owes much to an appreciation of how much competition BT now faces. That is certainly a factor BT shares with other non-utilities. The snag is that BT is now perceived to lack the compensating advantage of many other non-utilities – the prospect of growth.

Is this perception fair? Certainly BT's management has done little to disprove the doubters. Its international strategy, consisting largely of splashing out billions of pounds on investments in the highly competitive US market, has yet to produce a significant earnings stream outside the UK. Equally, all the fine words from Mr Michael Hepher, group managing director, about stimulating greater use of the domestic network have come to little. Nevertheless, the growth opportunity is still there, even if BT is condemned to see its market share decline. Britons use telecommunications much less intensively than their American counterparts. If BT can tap this potential, it will deserve a higher rating. But not until then.




## UK savings

It is hardly surprising that investment institutions are wary of the government's planned review of savings and investment in the economy. Mr Stephen Dorrell, financial secretary to the Treasury, has identified high dividend payouts as one of the weaknesses of the UK economy. Any move to restrict dividends would hit unit trust companies, which have been focusing marketing efforts on the attractions of yield. More importantly, pension funds valued by actuaries on the basis of expected dividend income could suffer.

If companies were obliged to increase their pension fund contributions as a result, though, the government's tax take could fall. Such arguments may prevent any head-on attack on dividends. The wider threat to investment institutions may lie in the promised review of tax-breaks available to savers on investment products. It seems an anomaly that certain forms of saving enjoy tax advantages – such as pensions, personal equity plans and TESSAs – while others do not. Extending tax-exempt status to bank and building society deposits, for example, would help create a level playing field at little cost to the Exchequer.

If such a move encouraged investment in deposits, life insurance and unit trust companies would face tougher competition for funds. Of course tax is only one part of savings decisions. The removal of life assurance premium relief in 1984 did nothing to slow sales of endowment policies through the second half of the decade. But with regulators already getting tough on compliance and disclosure, tax reforms which increased competition in retail savings would be an unwelcome headache for the sector.

## Food manufacturers

The government's success in curbing inflation can be gauged by how loudly retailers moan. There is nothing shopkeepers like so much as a dose of price inflation and there has been much belly-aching of late. But recent government retail sales statistics suggest inflation may be creeping back into the system and that moaning may start to quieten down. Some food manufacturers, such as Albert Fisher, have also suggested there has been some easing in the deflationary climate.

Pricing pressures have certainly been building up at the front end of the food chain. Many food manufacturers have been under intense pressure from rising raw material prices ever since the pound devalued. United Biscuits saw the operating margins at its McVitie's biscuits business slide by two percentage points after it was unable to pass on higher sugar prices. Packaging companies have suffered from rises in paper and PVC prices and are desperate to pass them on.

Some food companies, such as Nestlé, have already pushed through commodity price rises on coffee and cocoa. But Nestlé's dominant market positions and its formidable brand clout make it a comparatively easy task. Yet the food retailers have done the government a favour by ploughing their shareholders' money into additional retail space. That over-capacity will keep a firm lid on prices whatever the macro-economic climate. All but the strongest food manufacturers will be suffering for some time yet.

## Stock Exchange

After the costly fiasco that was Taurus, it might seem unnerving that the Stock Exchange has started to increase the budget for Seaquence, the trading system being developed to replace Seaq. But the decision to invest a modest sum to allow the Seaquence to handle order-driven trading – as well as traditional quote-driven business – looks sensible. Competitors such as Tradepoint and Reuters' Instinet are courting customers with order-driven systems. If these prove popular, the Exchange will at least have the systems capacity to respond.

The seriousness of the competitive threat may depend on how London copes with the move to rolling settlement later this year. If the pessimists are right, five day rolling settlement from the start of 1995 will lead to more failed trades, as creaking systems struggle to keep up. Investment institutions would then have a strong case for arguing for the same stock borrowing privileges as market makers to help them weather the storm. With their disclosure privileges already under scrutiny by the Securities and Investments Board, market makers could find many of their existing advantages eroded.

If liquidity suffered as a result, competing trading systems would look all the more attractive. While market makers – and most investment institutions – would prefer to maintain the established quote-driven system, the Exchange is right not to overlook a potential threat for fear of upsetting a portion of membership.

# Bomb kills 9

Continued from Page 1

signed a deal with rightwing leader General Constand Viljoen which included agreement in principle to a "volkstaat" or homeland for Afrikaners.

Such a homeland will be created after the elections if Gen Viljoen's Freedom Front party can show it has sufficient support for the concept.

Legal campaigning ceases at 7am today, ahead of the start of voting tomorrow. Only handicapped, elderly and heavily pregnant voters will go the polls tomorrow, with mass voting due to begin on Wednesday and to last until Thursday night.

# Massey Ferguson

Continued from Page 1

structions, it emerged from five years of losses. In 1991, with all its North American factories closed, Massey plunged to an operating loss of $60.8m because of the global recession in farm equipment, but has subsequently returned strongly to profit.

It claims its tractors were the best-selling make in western markets in 1992, for the 30th year running.

The sale of Massey would end Varity's involvement in heavy off-road equipment and underline its concentration on Kelsey-Hayes automotive products and Perkins diesel engines. For Agco, the purchase of the rest of Massey would be its most ambitious move yet.

The company is the successor to the agricultural business of the old Allis-Chalmers group, which in 1987 filed for protection under Chapter 11 of the US bankruptcy code.

In 1990 Agco bought Deutz-Allis from KHD of Germany, and has grown substantially since then through acquisitions including Hesston, bought jointly with J.I.Case, and White Tractor. Its sales jumped to $595.7m last year from $314.5m in 1992, due mainly to the North American Massey deal.



FT WEATHER GUIDE

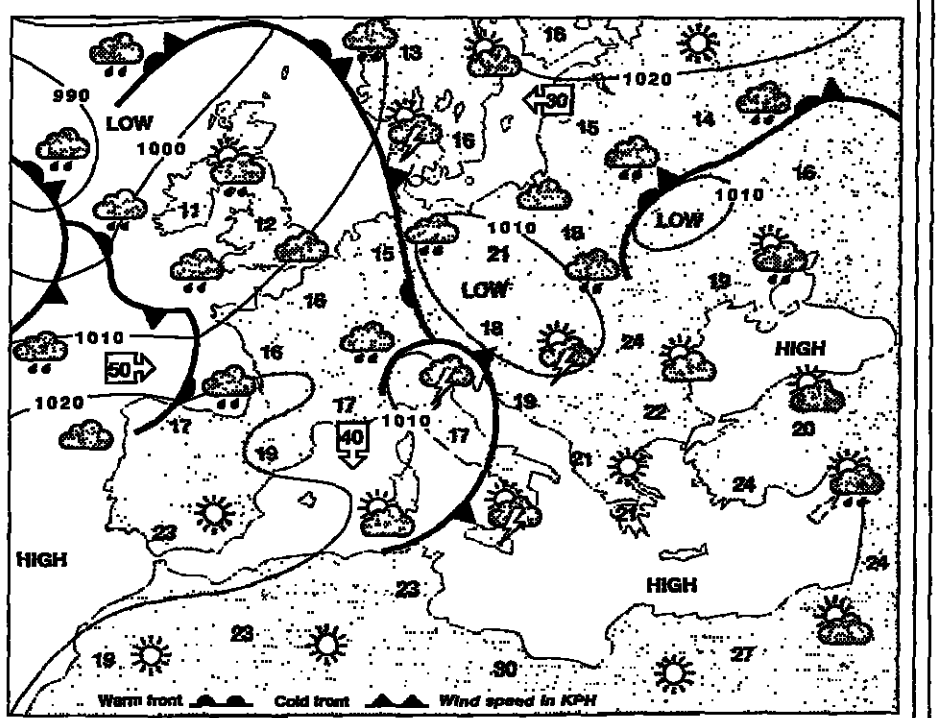
## Europe today

Rather warm conditions will prevail over eastern Europe with thundery showers developing in the afternoon over the Czech Republic, Austria and Hungary. A cold front will mark the boundary with much cooler and unsettled conditions over western Europe. The British Isles will have some heavy showers in the north with further rain moving into the south-west.

The cold front over the continent will bring outbreaks of rain. Italy will have thundery showers with some heavy downpours in the Po valley. Scandinavia will have bright sunshine, except in the north where unseasonable warmth will cause fog over the melting snow. Spain will be mainly sunny although the north coast will be dull with rain or drizzle at times.

## Five-day forecast

It will continue unsettled and rather cool over the British Isles, the Low Countries and northern France. Meanwhile, high pressure over Spain will expand slowly to the north-east making it progressively warmer with more sunshine over southern France and the Alps. Thunder storms will move across southern Italy into the eastern Mediterranean. High pressure over Finland will move to the east, but the early part of the week will be relatively mild and sunny in most of Scandinavia.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | | Beijing | fair | 25 | Caracas | cloudy | 30 | Edinburgh | shower | 12 | Madrid | fair | 19 | Rangoon | hazy | 36 |
| | Celsius | | Belfast | fair | 12 | Cardiff | cloudy | 11 | Faro | sun | 19 | Majorca | sun | 20 | Reykjavik | sun | 6 |
| Abu Dhabi | sun | 36 | Belgrade | fair | 24 | Casablanca | fair | 19 | Frankfurt | shower | 14 | Malta | fair | 22 | Rio | fair | 28 |
| Accra | cloudy | 32 | Berlin | sun | 21 | Chicago | shower | 25 | Geneva | cloudy | 12 | Manchester | fair | 12 | Rome | thund | 18 |
| Algiers | fair | 20 | Bermuda | shower | 24 | Cologne | cloudy | 13 | Gibraltar | sun | 18 | Manila | fair | 35 | S. Frsco | rain | 14 |
| Amsterdam | fair | 13 | Bogota | cloudy | 21 | D' Salaam | shower | 29 | Glasgow | hail | 11 | Melbourne | drzzl | 25 | Seoul | fair | 24 |
| Athens | sun | 23 | Bombay | fair | 32 | Dakar | sun | 26 | Hamburg | shower | 18 | Mexico City | fair | 23 | Singapore | shower | 30 |
| Atlanta | fair | 28 | Brussels | fair | 14 | Dallas | thund | 29 | Helsinki | fair | 16 | Miami | thund | 29 | Stockholm | sun | 16 |
| B. Aires | cloudy | 23 | Budapest | sun | 23 | Delhi | fair | 40 | Hong Kong | cloudy | 31 | Milan | shower | 17 | Strasbourg | cloudy | 13 |
| B.ham | fair | 11 | C.hagen | fair | 16 | Dubai | sun | 35 | Honolulu | thund | 29 | Montreal | fair | 14 | Sydney | fair | 24 |
| Bangkok | fair | 35 | Cairo | fair | 28 | Dublin | fair | 11 | Istanbul | sun | 20 | Moscow | shower | 17 | Tangier | fair | 17 |
| Barcelona | sun | 18 | Cape Town | sun | 26 | Dubrovnik | shower | 19 | Jersey | rain | 12 | Munich | shower | 16 | Tel Aviv | fair | 24 |
| | | | | | | | | | Karachi | fair | 37 | Nairobi | thund | 25 | Tokyo | cloudy | 24 |
| | | | | | | | | | Kuwait | fair | 38 | Naples | shower | 19 | Toronto | shower | 19 |
| | | | | | | | | | L. Angeles | fair | 19 | Nassau | thund | 31 | Vancouver | cloudy | 14 |
| | | | | | | | | | Las Palmas | sun | 21 | New York | fair | 22 | Venice | shower | 18 |
| | | | | | | | | | Lima | fair | 24 | Nice | fair | 16 | Vienna | thund | 23 |
| | | | | | | | | | Lisbon | fair | 18 | Nicosia | shower | 22 | Warsaw | fair | 18 |
| | | | | | | | | | London | shower | 12 | Oslo | sun | 17 | Washington | sun | 28 |
| | | | | | | | | | Lux.bourg | fair | 13 | Paris | fair | 15 | Wellington | fair | 13 |
| | | | | | | | | | Lyon | fair | 15 | Perth | cloudy | 21 | Winnipeg | cloudy | 7 |
| | | | | | | | | | Madeira | fair | 19 | Prague | fair | 20 | Zurich | rain | 11 |

FINANCIAL TIMES
# COMPANIES & MARKETS





Monday April 25 1994

# IRI head ignites Italian sell-off debate

By Andrew Hill in Milan

Mr Romano Prodi, chairman of IRI, Italy's state holding company, has accused the treasury and the industry ministry of allowing Mediobanca, the secretive Milan merchant bank, and its allies to establish a dominant position at the centre of newly privatised companies.

Mr Prodi's accusations – in a letter to La Stampa, the Turin-based daily newspaper – coincided with the first shareholder assembly of Banca Commerciale Italiana (BCI) since the bank's privatisation in February, at which a board of directors with strong links to Mediobanca was elected.

Mr Prodi pointed to a similar outcome at the previous Saturday's meeting of shareholders in Credito Italiano, the other newly privatised bank, at which "the role of the small shareholder was all but irrelevant".

There was surprise and consternation among the BCI shareholders on Saturday when it was revealed Mr Sergio Siglienti, the respected chairman of the bank, was not on the proposed list of directors. Mr Pietro Grandjacquet, BCI's joint managing director and a supporter of Mr Prodi's independent line, had already announced he would not seek re-election.

Mr Siglienti, 67, who helped pilot BCI to the market, asked shareholders not to propose his name separately. Yesterday there was speculation that Mr Siglienti was going because he had refused to kow-tow to Mediobanca and its allies.

The shareholder meetings and the Prodi letter have re-ignited debate about how Italian industry should be privatised. A new Italian government will soon have to decide the rules for selling off INA, the state insurance company, and Stet, the telecoms group. Mr Prodi's own position could be under threat with the arrival of the new government.

Published alongside Mr Prodi's comments on Saturday was a letter from Mr Paolo Savona, the outgoing industry minister, accusing Mr Prodi of having been "an obstacle to the rapid progress of privatisation". Mr Savona favoured the establishment of a "hard core" of shareholders in privatised companies.

In his letter to La Stampa, Mr Prodi said that the industry ministry and the treasury had failed to put in place rules which would guarantee that privatisation produced genuine "public companies", with a role for the small shareholder.

"Taking advantage of the absence of such rules, Mediobanca has been able to play a dominant role, unhindered, in the campaign to buy shares in the two large banks, through its traditional foreign and Italian allies," he said.

# VW and Mercedes enter van alliance

By Kevin Done, Motor Industry Correspondent

Volkswagen, Europe's biggest vehicle maker, is to license technology from Mercedes-Benz for the development of a new range of light commercial vehicles.

The licensing deal is the first significant collaboration between two of Europe's biggest vehicle makers, demonstrating Mercedes-Benz's new readiness to develop alliances with other producers.

Under the deal, VW is to use Mercedes-Benz technology to develop a successor for its ageing Volkswagen LT range of heavy vans.

The agreement, which represents an important consolidation of forces in the European van sector, ends VW's search for a partner, which included talks with Renault of France.

Mercedes-Benz, automotive subsidiary of Daimler-Benz and the world's leading commercial vehicle maker, is planning to launch its new van range (in the 2.5-4.6 tonnes gross weight class) in Europe next year to replace the T1 series. The VW version is likely to follow a year later.

The licensing deal is likely to cut Mercedes-Benz's development costs by around a third, while Volkswagen has lacked the sales volumes to justify the development of a new heavy van range alone.

The production of Volkswagen LT commercial and passenger vehicles totalled only 14,309 last year. Mercedes-Benz produced more than 50,000 T1 vans in Europe last year. It is planning to expand capacity at its Düsseldorf plant.

Mercedes-Benz has also finalised a joint venture with Tata Engineering & Locomotive (Telco) of India, one of the world's leading makers of commercial vehicles, for the assembly of Mercedes-Benz cars in India. The joint venture will build up to 20,000 E-Class executive cars a year, plus about 50,000 engines at a new plant near Poona.

Telco will take a 49 per cent stake, and Mercedes-Benz will have management control. The two groups plan to invest around DM250m ($146m).

Mercedes in bus group talks, Page 21

## Markets this week

Starting on page 22

**JOHN PLENDER:** GLOBAL INVESTOR

US Fed chairman Alan Greenspan did a splendid job in puncturing the global bond bubble but failed to do quite the same for equities which still look on the high side. Page 22

**MARTIN WOLF:** ECONOMIC EYE

The common agricultural policy and the need to make transfers to poor countries will prevent rapid enlargement of the European Union to the east. Page 22

**Bonds:** South Africa used to be shunned in international capital markets, but with an all-race government about to be elected, banks have come a-wooing again. Page 24

**Equities:** Relieved of its fixation with the chance of a cut in UK base rates, the London stock market is expected this week to reassess the investment fundamentals. Page 25

**Emerging markets:** Eager demand from Bangkok's growing middle has been a crucial ingredient in the unexpected popularity of Baht-based unit trusts. Page 23

**Currencies:** The dollar will be the focus of attention this week as markets ponder the weekend G7 meeting, the release of US GDP figures, and the likely election of a Japanese prime minister. Page 23

### STATISTICS



# Heron restructure may include full sale

By David Blackwell in London

A full sale of Heron International is among the options being considered for a further restructuring at Mr Gerald Ronson's troubled UK property and trading group.

UBS, the group's financial adviser, has sent confidential information memoranda to interested parties. The bank is understood to favour a solution involving a new investor taking control, but not buying the whole group.

The company is technically in default after the failure earlier this month to win approval for the deferral of more than £52m ($76m) in interest payments. Creditors will meet again on May 4, when only two bondholders need to be present for a quorum. The new moves come only seven months after the group completed a £1.4bn refinancing. The recession in Spain has affected property values, leading Heron to ask for interest payments to be deferred.

Meetings of senior and junior bondholders were adjourned earlier this month after failing to meet the necessary quorum, leaving creditors in confusion. The group had asked for deferral of more than £52m payments until the end of June, warning that it might otherwise be unable to continue trading. Receivership would follow a petition by 25 per cent of the bondholders.

UBS is understood to believe that the core portfolio of Heron properties could be used as a vehicle for a sound European property company.

**John Gapper** reports on a turning point marked by Lloyds' bid for C&G

# Capital becomes a burden for banks

Amid the ructions set off by Lloyds Bank's announcement last week that it was bidding £1.8bn ($2.62bn) for Cheltenham & Gloucester Building Society, one non-event with profound implications for banks passed nearly unnoticed. Lloyds' debt ratings were not downgraded by international ratings agencies.

Both Standard & Poor's and IBCA affirmed their ratings of the safety of Lloyds debt despite the fact that it intends to remove up to £940m of its £3.2bn capital at a single stroke.

For bankers who believe they must hold more and more capital to satisfy agencies, this may prove a revelation.

Beyond the matter of ratings, Lloyds' decision to leverage its capital by adding to assets through acquisition could prove an important turning point. It has occurred as bankers muse ever more loudly about whether they have been pushed by regulators and agencies into holding too much capital.

The trend towards banks holding more capital against assets such as loans emerged from two events.

One was the realisation in the mid-1980s that banks such as Citicorp had been leveraging assets so aggressively to increase returns that they had difficulty coping with credit shocks.

Along with this general perception that banks had become too risky – and therefore too volatile as investments – came the 1988 Basle accord between international bank regulators. This set higher benchmarks for capital by insisting that all banks should hold minimum ratios of capital to assets.

The trend since then has been towards holding more capital, helped in the US by the Federal Reserve's policy of creating a sharply positive interest rate yield curve to allow banks to rebuild capital. The yield curve also ensured that all banks could achieve good returns on this capital cushion.

Banks engaged in operations requiring high ratings – such as selling derivatives – have had to boost capital further. The average ratio of tier one capital – equity and retained earnings – to risk-weighted assets among US banks last year was 9.4 per cent, more than twice the Basle minimum.

Yet two events have led to bankers questioning whether the trend will now reverse.

One is the tightening of US monetary policy, which makes it harder to make risk-free profits.

The second is the emergence of stable low inflation – and so lower demand for loans – in many countries.

These two factors have led bankers to ask whether they can afford to keep accumulating capital.

If they do so without being able to expand balance sheets through lending, then their capital will be under-utilised, and they will find it much harder to achieve target returns on equity.

Before the C&G bid emerged, Mr Brian Pitman, Lloyds' chief executive, was signalling that the bank would have to find new ways of leveraging capital in a low inflation environment.

At a recent seminar held by Hoare Govett, the broker, he argued that banks could not afford to under-utilise capital.

Lloyds had a more pressing problem than other banks because it had retained earnings, and reduced the degree to which its capital was leveraged by its assets, for longer. Its leverage ratio of capital to risk-weighted assets had fallen from 17.3 per cent in 1990 to 13.5 per cent last year.

This accumulation of cash was making it progressively more difficult to maintain returns on equity.

As Mr Pitman said: "The question is how to make the most efficient use of capital. We have grown our capital faster than our assets ... We have got almost more capital than we need."

Lloyds' answer has become clear: to reduce capital while boosting assets through acquisition. Its tier one ratio is expected to fall to about 5 per cent from the current 6.6 per cent at the end of next year because of the goodwill element in the C&G acquisition, although it should then rebuild.

Ratings agencies believe that Lloyds can take this in its stride.

"Five per cent is not a fantastic ratio, but it is certainly liveable-with," says Mr Robin Monro-Davies, IBCA managing director. He argues that Lloyds' ability to generate retained earnings should soon rebuild its capital.

Lloyds' more aggressive use of capital already has implicit support at other banks – notably National Westminster, which has a relatively low 5.7 per cent tier one ratio.

Mr Richard Goeltz, its chief financial officer, argues that there are dangers in banks accumulating too much capital.

Continued on next page


**BANKS AND THEIR FINANCIAL MUSCLE**

| | Barclays | NatWest | Lloyds | Midland | Abbey National | Royal Bank of Scotland* | TSB* |
|---|---|---|---|---|---|---|---|
| Equity capital | £6.11bn | £5.88bn | £3.16bn | £2.67bn** | £3.39bn | £1.9bn** | £1.35bn |
| Tier 1 ratio | 6% | 5.7% | 6.6% | 6.5% | 9.4% | 6.9% | 8.7% |

*TSB year-end Oct 31, Royal Bank Sept 30, others Dec 31
**Shareholders' funds, others tier 1 capital

## This week: Company news

FORD/GENERAL MOTORS

### Big brothers to approach the $1bn mark

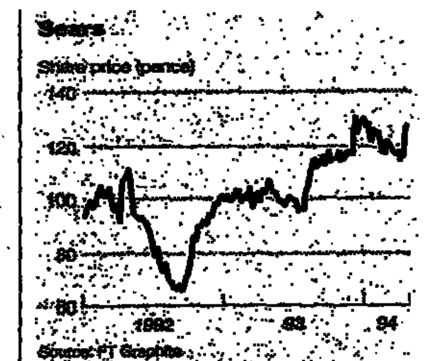
The revival of America's love affair with the car helped Chrysler, the smallest of Detroit's three big motor manufacturers, to report its most profitable quarter ever last week. This week it is expected to provide a similar profits boost for Chrysler's two bigger brothers, General Motors and Ford, when they report on their first quarters.

The main factor driving the Big Three's profits is the release of pent-up demand for cars in the US, triggered by growth in the economy. US car sales in the first three months of this year were 15 per cent higher than a year earlier, and because manufacturers have worked hard to cut costs and increase efficiency, the effect of the increased revenues is magnified at the bottom line.

Conversely, the picture is less encouraging in Europe, where many markets are depressed and sales are weak. But back in the US, two other factors are operating in the manufacturers' favour: higher realised prices, thanks to a reduction in the number of rebates and other sales incentives, and a shift in the sales mix away from less profitable fleet sales towards more profitable retail sales.

Last week Ford threw down the gauntlet to its auto industry rivals by announcing radical plans to form itself into a global corporation, producing common cars for a world market. On Wednesday Ford is expected to announce a surge in first-quarter net profits from $572m to possibly $1bn, translating into earnings per share of $1.87 fully diluted compared with 95 cents last time.

General Motors is forecast to deliver a similar leap in first-quarter profits on Thursday. Analysts, such as Mr Scott Merlis of PaineWebber, the Wall Street securities house, are predicting a jump from $513m to $1.1bn or more, equivalent to earnings per share of $1.50, compared with 42 cents.




SEARS

### Clear progress after the clear-out

The improvement in the performance of Sears, the UK's largest multiple high street retailer, over the past two years has been obscured by a mass of restructuring charges. But tomorrow it is expected to give a clear message with an increase in full-year pre-tax profits to about £127m ($185m).

The uplift is dramatic on the basis of the FRS 3 accounting standard, according to which Sears made a loss the previous year of £47.8m, after £106.8m of exceptional charges.

The advance reflects the success of Mr Liam Strong, chief executive since February 1992, in refocusing the sprawling group. He has shaken up senior management, established a clear strategy and sold non-core businesses.

The first stage was the reorganisation of British Shoe Corporation, the UK's largest footwear retailer. Mr Strong closed 350 shops, cutting 1,800 jobs, as well as opening new formats.

The challenge for Sears now is to improve the performance of its other retail businesses: in womenswear and childrenswear – which include names such as Wallis, Miss Selfridge and Richards; sport and leisure (Olympus, Milletts); and mail order (Freemans).

The uplift in profits suggests Mr Strong is having some success. As for Selfridges, the prestigious Oxford Street department store, Sears has demonstrated its commitment by announcing a £50m update.

OTHER COMPANIES

### Mercedes to trumpet trend bucking

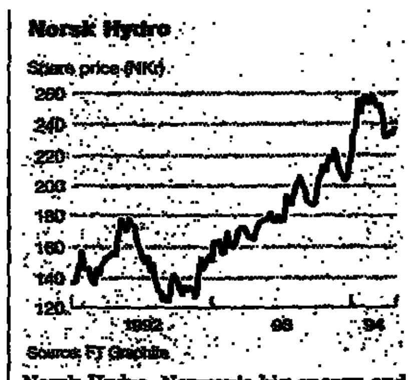
Helmut Werner, chairman of Mercedes-Benz, flag-carrier for the battered Daimler-Benz group, meets the press tomorrow. Although overall German car output fell 4 per cent in the first quarter, Werner is expected to claim Mercedes is beating the trend. The subsidiary's sales climbed 32 per cent in the first two months of this year, to account for 73 per cent of the group total. The push is coming from cars but commercial vehicles are still struggling.

■ Deutsche Bank: Main board directors will today attempt to calm the criticism which has blown up over the German bank's involvement in the DM5bn ($2.9bn) bankruptcy of the Jürgen Schneider property group.

■ Akzo Nobel: The Dutch chemicals group, renamed after its recent takeover of Nobel of Sweden, will report first-quarter figures tomorrow. The company, the world's largest producer of salt, is expected to have profited from the bad driving conditions in many parts of North America and Europe early this year.

■ ICI: A pure chemicals company since last summer's demerger from Zeneca, first-quarter figures – out on Thursday – should see cost-cutting efforts offsetting the weak health of European bulk chemicals. Pre-tax profits should have risen from £63m to near £100m ($150m).

■ Swissair: The Swiss airline has already revealed 1993 profits of SFr59m ($40m), but investors will be hoping that at its annual press conference in Zurich on Thursday directors will shed some light on the group's strategy following the collapse last November of the Alcazar project to unite it with three other European airlines.




Norsk Hydro, Norway's big energy and fertiliser group, today produces first-quarter profits. The company, which announced a NKr5bn ($680m) rights issue last month and is 51 per cent state-owned, saw 1993 net earnings dip from NKr1.8bn to NKr1.2bn.

■ Banesto: The moment of truth for Spain's banking sector comes this afternoon, the bid deadline for control of Banesto after a $3.65bn rescue. A mixed panel chaired by the Bank of Spain is likely to announce the winner immediately.

■ Swedish banks: Skandinaviska Enskilda Banken and Svenska Handelsbanken will present first-quarter figures this week. Investors will be keen to see how they have fared during a period of financial market turbulence.

**Companies in this issue**

## COMPANIES AND FINANCE

# Medeva facing legal threat

By David Wighton

Medeva, the fast-growing pharmaceuticals company, *is being threatened with legal* action over the delayed development of its hepatitis B vaccine.

The Swiss companies that sold the part-developed vaccine to Medeva for up to £9.3m two years ago are threatening to sue for breach of contract over the conduct of the development programme.

The vendors, GA Investments and Epitec, received only £3.86m up front with the balance dependent on completion of development and registration of the product in European countries.

At the time of the sale, in March 1992, it was expected that product approvals would be obtained within two and a half years. But last month Medeva revealed that an application for approval had slipped from 1994 to 1995.

Mr Bill Bogie, chief executive, declined to comment on the threatened legal action but admitted there had been "a sharp *exchange of letters" between the two* sides' lawyers. He said the vendors had been doing some development work on the vaccine for Medeva which had been ended last month "by mutual agreement". "We are in dispute over how to hand over what we believe they have done."

Mr Bogie added that it was wrong to talk of "delays" in development which suggested the company had met problems it did not know how to overcome. "I prefer not to talk about delays but technological hurdles," he said.

However, the vendors say they will start legal proceedings unless they receive payment under the original contract or acceptable new terms are negotiated.

News of the delay to the project marred Medeva's otherwise upbeat annual figures announcement last month which also saw the resignation as managing director of the group's founder Mr Ian Gowrie-Smith.

*The vaccine is already at the centre of* legal actions concerning alleged infringement of patents. In November the High Court ruled that Medeva's activities had infringed a patent held by US drug company Biogen for a hepatitis B vaccine. But Medeva says it is confident of winning an appeal due to be heard in July.

The hepatitis B vaccine is seen as one of the prime sources of Medeva's earnings growth in the later 1990s. Analysts had been looking for sales of around £30m in 1995 with an eventual worldwide target of up to £200m a year.

The project is also viewed as an important test of Medeva's strategy of buying portfolios of drugs in late stages of development to take them through the regulatory procedures to market.

## Three more companies planning a quotation on London market

# VCI hopes for £60m tag

By Raymond Snoddy

VCI, one of the UK's largest independent publishers of videos and pre-recorded music, is planning to float on the Stock Exchange within the next few months in a move that could value the company at about £60m.

VCI, formed in a management buy-out from Prestwich Holdings *in 1989, has rights to* more than 1,000 titles in both video and music – titles that include Thomas The Tank Engine, Sooty and Mr Bean.

The company wants to raise £30m, via a placing and intermediaries offer, to pay off £25m in debt remaining from the management buy-out and provide funds for expansion and acquisition of further rights.

The company is run by Mr Steve Ayres who pioneered the budget video "sell-through" business in the UK – selling videos rather than renting videos. The sell-through market overtook the stagnant rental market in 1992 and has been showing steady growth.

The British market was worth £643m (£506m) at the retail level in 1993, although *the performance was helped by* the release of two strong Disney titles – The Jungle Book and Beauty and the Beast. VCI was fifth in the video retail marketplace after Buena Vista (Disney), Polygram, BBC and Warner Home Video. In 1993 VCI reported record operating profits on continuing operations of £5.9m on turnover of £59.8m.

"We think the video business has prospects for very good growth – something of a bonanza," says Mr Ayres, who emphasises that as owners of *rights*, VCI can move to exploit a whole range of emerging technology.

In June, for example, the company will launch its *first* range of personal computer software and has bought rights to 300 titles ranging from games to education.

The company will also launch 20 titles on video CD later this year, partly *at least* to stimulate this market. VCI's music company, Music Collection International, was launched in 1990 and has a 0.9 per cent share of a market worth £786m a year at trade prices.

# Comeback for Denby Pottery

By Peggy Hollinger

Private investors will be offered a slice of the action when Denby Pottery returns to *the market* next month, valued at more than £40m.

The stone wear kitchen products manufacturer is floating through a placing and public offer which is expected to raise about £10m. The proceeds will be used to pay off the debt incurred in the £25m management buy-out from Coloroll in 1990, which was backed by venture *capital* group 3i.

The four executives who invested £140,000 in the buy-out and 3i are expected to sell up to half their holding in Denby. Both groups will retain substantial stakes in the business. Currently, management controls 55 per cent of Denby with 3I holding the rest.

*Denby is coming* back to the market after a 13-year absence and a series of setbacks under the ownership of, initially, *Crown House* and then Coloroll, which collapsed in 1990.

In the last three years Denby has increased sales and pre-tax profits at compound annualised rates of more than 25 per cent and 70 per cent respectively.

Pre-tax profits for the year to the end of September were more than doubled at £2.7m. Sales were 41 per cent ahead at £17.6m.

The company is forecasting a substantial increase in profits for 1994.

# Barclays Canada chief replaced

By Bernard Simon in Toronto

Barclays Bank has quietly replaced the head of its Toronto-based subsidiary as the prelude to an expected shake-up of its commercial and investment banking operations in Canada.

Mr Geoffrey Farrar, long-serving president of Barclays Bank Canada, has taken early retirement at the age of 58. He has been replaced by Mr Graeme Hansen, formerly chief executive of Barclays' operations in Australia and New Zealand.

Barclays is also in the throes of buying the 50 per cent stake it does not already own of Toronto-based securities dealer, Deacon Barclays de Zoete Wedd.

The deal is due to close at the end of May, when the present chairman, Mr Cam Deacon, will leave the firm.

Mr Hansen, who arrived in Toronto two weeks ago, said he was not ready yet to make recommendations to the board on the future direction of Barclays Canada. But he acknowledged that "there's always change with a new chief executive."

Barclays Canada has assets of just over C$3bn (£1.46bn), making it the fourth biggest foreign-owned bank after Hongkong & Shanghai, Citibank and Credit Suisse.

It has been hit in recent years by losses on real estate and resource-industry loans.

Outsiders expect that the bank will in future concentrate on big corporate customers and lower its profile in the mid-sized commercial market.

Deacon BZW, whose name will be changed to reflect the UK bank's 100 per cent ownership, is likely to be more closely integrated into BZW's international securities trading and global research.

**CROSS BORDER M&A DEALS**

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| Bank of Montreal (Canada) | Suburban Bancorp (US) | Banking | £170m | Starts long-planned growth |
| Malayan United Industries (Malaysia) | South China Morning Post (HK) | Publishing | £99m | Murdoch sells remaining 15% |
| Albert Fisher (UK) | Rahbek (Denmark) | Food | £59m | Strategic buy |
| Investor consortium (International) | Egyptian Bottling Co (Egypt) | Bottling | £32m | Egyptian privatisation |
| Falcon Cable TV (US) | Asianet Satellite Communications (India) | Broadcasting | £13m | Multi-channel expansion |
| Sunset + Vine (UK) | Unit of NBC (US) | Broadcasting facilities | £2m | Mobile image sold |
| Bayerische Landesbank (Germany) | MKB (Hungary) | Banking | n/a | Investing along-side EBRD |
| Cadbury Scweppes (UK) | Industrias Dulciora (Spain) | Food | n/a | Lifting market share |
| RJR Nabisco (US) | EM Terrabusi (Argentina) | Food | n/a | Long-running offer finalised |
| Amec(UK)/COIC (China) | JV | Oil & gas services | n/a | Construction venture |

# Victaulic makes £7.4m acquisitions

By Jonathan Evans

Victaulic, the pipeline products manufacturer, has announced further overseas investments with the acquisition of two businesses, in Spain and Singapore, for £7.4m – of which £4.4m is for the assumption of debt. This brought its total investment since November 1992 to over £16m on five acquisitions.

Masa is a Spanish manufacturer and supplier of polyethylene pipes and fittings for the water and gas industries. The cash consideration is Pta275m (£1.35m). Masa had operating profits of Pta62m in 1993.

Victaulic has also acquired a 51 per cent interest in Blakeborough Valves, a Singapore valve manufacturer.

# May float for Nightfreight

By Ian Hamilton Fazey, Northern Correspondent

Nightfreight, the Liverpool-based delivery business which specialises in industrial and just-in-time markets, is to float on the Stock Exchange next month.

The listing is expected to value the group at about £50m and raise around £17m.

Nightfreight, which also distributes The Independent newspaper, will use most of the money to clear debts of about £10m.

One incidental beneficiary of the flotation is likely to be Everton Football Club. Mr Peter Johnson, Nightfreight's part-time non-executive chairman, is also chairman of Park Foods and owner of Tranmere Rovers.

He will be selling some of his 33 per cent holding in Nightfreight at about the time he is likely to take control of Everton, when he will need immediate cash to inject into the struggling football club.

Another beneficiary of the flotation will be 3i, which will sell some of its 9 per cent holding.

Nightfreight began as a struggling regional newspaper carrier called Hernway Transport, which Mr Russell Black, founder and chief executive, bought from the receiver for £138,000 in 1984.

Nightfreight now has 38 depots around Britain and Ireland and an additional northern hub at Burnley. It franchises 23 of the more remote depots to 21 regional independent carriers.

Last November it bought Greenline, a member of its network, and PHS Group, which brought with it a Gatwick-based international freight forwarder called Jetspeed.

Last year's operating profit of £2.28m – up 46 per cent on 1992 – was made on £21.35m turnover. Greenline made £523,000 on turnover of £10.24m and PHS £516,000 on £7.12m of turnover in the respective 10 and nine months before Nightfreight bought them.

# Capital becomes a burden for banks

*Continued from previous page*

Mr Goeltz says that forcing banks towards higher tier one ratios may encourage them to lend more riskily in order to raise equity returns.

"More than a few of the problems of the 1980s can be attributed to the attempt to enhance earnings with questionable lending decisions," he says.

Such issues have led Mr Martin Taylor, Barclays' new chief executive, into a review of how much capital the bank needs.

Barclays last year set itself a target tier one ratio of 6 per cent – which it has now achieved. However, it has yet to approach its target return on equity of 15 per cent.

Mr Taylor says that one advantage of strong capital is that it allows a more sophisticated approach to risk management than categorising assets by regulators' broad risk-weightings. "Regulatory capital does not distinghish between good and bad companies, and you might want to do that," he says.

One problem facing big banks is that they are made up of a mix of businesses which have different capital requirements.

Their investment banking arms rely on high credit ratings to attract business from big companies.

But branch banking arms do not need anything more than adequate capital backing.

This internal conflict does not afflict Lloyds as strongly because it has no investment banking operation.

The most worrying possibility for other banks as they reassess their need for capital is that they may not be able to reach the same clear answer as Lloyds has implicity declared.

But even Lloyds will only put off the problem temporarily by buying C&G.

One reason for the bid being well-received by ratings agencies is that it may further strengthen Lloyds' ability to generate capital.

If so, it will not be long before the bank again has to find a way of leveraging it.

## COMPANIES AND FINANCE

# Mercedes in talks on bus group

By Christopher Parkes in Frankfurt

Kässbohrer, the loss-making German bus-maker, may shortly surrender its independence to Mercedes-Benz and Canada's Bombardier group.

Mercedes said at the weekend the three companies had launched a feasibility study for a deal to secure Kässbohrer's future.

The Daimler-Benz automotive arm is interested in the tour bus division, which this year plans to make 2,200 vehicles. Bombardier has an eye on the smaller, specialist "piste-basher" business which makes equipment used to prepare ski slopes.

Mercedes said in January it had no interest in the company, which lost DM56m ($32.7m) in 1992 and recorded an unspecified deficit last year. However, it now says it aims to save the Setra marque and factories at Ulm, Neu-Ulm and Ligny in France.

Since Mercedes has an estimated 38 per cent share of German bus output, compared with Kässbohrer's 20 per cent, the competition issues raised suggest a joint venture rather than a takeover as the most likely solution.

The start of the feasibility study could mark the end of a rocky phase for Kässbohrer, which this year was forced to ask its banks for fresh credit lines. It blamed the liquidity crisis on the the DM67m spent in 1993 to fund lay-offs and early retirement measures.

As part of the conditions attached to the cash injection, the family owners are believed to have agreed to take on a partner with the necessary financial strength.

Mr Heinz Ahrens, the chairman who had already agreed to quit at the end of last month, said at the time he had been pressing for such a solution for eight years.

Mr Ahrens, who a year ago handled the disposal of the group's trailer and commercial vehicle divisions to Kögel Fahrzeugwerke, gave notice of his planned departure after he saw his job advertised in a newspaper last November.

Recent reports suggest Mercedes and Bombardier might also be signing up a bank as a partner in any rescue venture.

# Unisys steady despite revenue decline

By Louise Kehoe in San Francisco

First-quarter revenues at Unisys, the US computer manufacturer, have declined after falls in product sales and its maintenance business, although earnings were in line with expectations.

Net income for the first quarter was $60.0m, or 17 cents a share, fully-diluted, after a charge of $7.7m for costs associated with repurchase of debt. In the same period last year net, income was $260.6m, or $1.06, including a net gain of $203.8m from accounting changes.

Comparable earnings per share, before special items, were 21 cents in the current quarter against 16 cents last year.

Total revenues declined to $1.69bn in the quarter, compared with $1.91bn. Strong growth in service revenues was more than offset by declines in product sales and maintenance, the company said.

Unisys blamed lower revenues for the decline in its operating income. Partially offsetting this fall was a 10.7 per cent cut in total costs and expenses.

"We were pleased with our bottom-line profit achievement in the quarter," said Mr James Unruh, chairman and chief executive. "Revenue and orders were expected to decline, but they were weaker than anticipated, particularly in our European and government systems business units."

However, services revenues grew by 11 per cent, and were up even in Europe, Mr Unruh noted. During the quarter, Unisys repurchased debt and paid off its arrears on preferred stock dividends.

"As we move through 1994, we will deal with ongoing structural change in the industry and weakness in demand in some markets by continuing to reduce costs. Our goal for slight revenue growth in 1994, which is dependent on improvement in Europe and Japan in the second half of the year, now is a bigger challenge," said Mr Unruh.

# Second trader dismissed by Kidder

By Patrick Harverson in New York

Kidder, Peabody, the Wall Street investment bank which fired its top bond trader a week ago for faking $350m in profits, has dismissed a second trader for concealing about $10m in losses from derivatives trades.

Although the firm said the two episodes were not related, the firing of Mr Neil Margolin, a trader on Kidder's interest rate swaps desk, is a further embarrassment for the firm.

It raises fresh questions about the effectiveness of the firm's systems for monitoring the activities of its traders. Kidder is reviewing those systems in the wake of the first incident.

Mr Margolin's hidden losses were not discovered by Kidder - he was dismissed after telling the firm about the losses. He had been at Kidder since 1986.

The firm said the roughly $10m shortfall run up by Mr Margolin did not affect Kidder's customers or trading counterparties. The losses would be covered by the firm's operating reserves.

The incident will have no impact on the earnings of Kidder's parent, General Electric.

Last week, GE was forced to take a $210m charge against its first-quarter earnings to cover the $350m in fake profits reported by Kidder in previous terms because of an illicit "phantom" trading scheme run by Mr Joseph Jett, head of the government bond trading desk.

Mr Jett was dismissed when the fake profits were uncovered, and six other employees were suspended pending an investigation.

# Du Pont settles 220 fungicide claims

By Richard Waters in New York

Du Pont, the US chemicals group, has agreed to pay $214m to settle 220 cases stemming from use of its fungicide Benlate, leaving 270 cases still to be resolved.

The settlements, which the company said were covered by previous provisions, stem from claims by farmers that a version of Benlate withdrawn from the market in 1991 caused damage to crops.

Du Pont had at one stage agreed to pay compensation to all Benlate users, though it withdrew the offer in 1992 when it received new information suggesting the fungicide did not cause crop damage. Before the latest settlements, some 70 cases had been disposed of either by court judgments or settlements.

The company had set aside $476m after tax to meet Benlate payments which exceeded its insurance cover. It did not say how much of the latest $214m was covered by insurance.

Du Pont continued to insist the fungicide was not defective, and said it was settling the cases only because of the high costs associated with defending them.

# Argentaria denies it will be forced to drop Banesto bid

By Tom Burns in Madrid

Argentaria, the state-controlled Spanish banking corporation partially privatised last year, has dismissed speculation that it would be forced by political pressures to drop out of today's auction to acquire Banesto.

The auction is the final chapter in the crisis sparked by the Bank of Spain's intervention in Banesto last year. Banesto, the fourth biggest domestic bank, has since absorbed some $4bn in one of the largest support operations ever mounted for a financial institution.

The conservative opposition party, Partido Popular, has expressed reservations about an Argentaria bid. The party maintains that it would amount to a nationalisation of part of the banking system – Banesto has a 10 per cent share of the financial sector – and would give the state-controlled institution a clear lead over private institutions.

There has also been concern than an Argentaria acquisition would allow Mr Felipe González's socialist government to muzzle its media critics. Banesto has considerable shareholdings in the private television station Antena 3, in the news weekly Epoca and in the Madrid newspaper El Mundo, all of which have been at the forefront of a recent spate of corruption exposures.

Argentaria said it was unaware of any pressures from the economy ministry's corporate holding, the Patrimonio del Estado, which owns 50 per cent of its equity. "We operate as commercial bank in a free market and we have a free hand to bid," it said.

Argentaria's board – and those of Banco Bilbao Vizcaya, BBV, and Banco Santander, the rival contenders for Banesto – will meet today to vote on a price for the bid.

The sealed bids, likely to be in the Pta220bn-Pta240bn ($1.6bn-$1.74bn) range, will be delivered to the Bank of Spain just before the Madrid market closes. The winner will be announced before the markets open on Tuesday.

# Overseas sales bolster profits at Kellogg

By Richard Tomkins in New York

Kellogg, the US breakfast cereal manufacturer, reported an underlying 6 per cent increase in net income, to $183.7m, for the first quarter. The rise came in spite of lower cereal volumes in its domestic market.

Mr Arnold Langbo, chairman and chief executive, said cereal volumes in the US fell from the previous year's levels because of inventory reductions and competitive price-promotion early this year.

Profits were driven by improved operations globally, Mr Langbo said. He said there was volume growth in cereals in Europe, Latin America and the Asia-Pacific region, and growth in convenience foods in North America.

Turnover rose 6 per cent, to $1.61bn from $1.52bn, with global volume up 2 per cent. Stated net earnings rose by less than 3 per cent, to $183.9m from $179.2m, but both figures included one-time revenues and charges.

Excluding these items, earnings per share rose by 9 per cent to 81 cents, a figure boosted by the company's stock repurchase scheme.

Kellogg, like other US makers of premium cereal brands, has been fighting tough competition in its domestic market from cheaper products and own-label brands.

# Lean year for Japan's stores

By Emiko Terazono in Tokyo

Japanese department stores suffered continuing pressure on profit margins as consumers shied away from luxury products and turned to discount retailers.

The stores have faced mounting direct competition from discount retail outlets specialising in items such as consumer electronics, men's suits, toys and furniture.

Mitsukoshi, the most prestigious, reported its second consecutive parent pre-tax loss, for the year ended in February. The retailer, which recorded an operating loss of Y1.2bn ($11.6m) and an after-tax loss of Y3.3bn, said it posted double-digit losses in sales of its electrical appliance and household products divisions.

However, the company will maintain its dividend of Y6 per share. For the full year to next February, it hopes to return to the black with a pre-tax profit of Y2bn on a 1.2 per cent fall in sales, to Y791bn.

In spite of its pre-tax profit decline, Takashimaya posted a 33.7 per cent rise in after-tax profits, to Y1.5bn, thanks to asset sales. Operating profits also rose 30.2 per cent to Y9.4bn.

The company will cut its annual dividend to Y7.5 from Y10, and has skipped payments of executive bonuses, which totalled Y64m the previous year. For the current year to next February, it expects an 11.1 per cent rise in pre-tax profits, to Y3bn, on a 2.2 per cent fall in sales to Y702bn.

For the year to January, Marui saw a 10.7 per cent fall in men's clothing and sports goods sales, while sales of household items fell 7.4 per cent. Financial income was also hit by a fall in interest rates.

For the full year to next January, it expects a 12.7 per cent fall in pre-tax profits to Y26bn on a 0.6 per cent rise in sales to Y510bn.

# Australian gold miner up slightly

Placer Pacific, the Australian-based gold-mining company majority-owned by Canada's Placer Dome, reported after-tax profits of A$20.8m (US$14.9m) in the three months to end-March, writes Nikki Tait in Sydney.

This compared with A$19.3m in the same period of the previous year. Revenues were A$127m, up from A$123.6m in the first quarter of 1993.

Placer attributed the increased earnings to higher selling prices and reductions in operating costs. Gold production from its interests in the Misima, Porgera and Kidston gold-mines were "ahead of target". However, production from the Granny Smith mine was lower than projected.

The average price received per ounce of gold in the first quarter was A$550, against A$516 in the first quarter of 1993. Placer also said its feasibility study on the Osborne copper/gold project in north-west Queensland was nearing completion.

# Italcementi seeks to raise L550bn via issue

By Andrew Hill in Milan

Italcementi, Italy's biggest cement group, is to seek shareholder approval for an issue of shares and warrants which could raise nearly L550bn ($340m) for the company.

The group, headed by the Italian industrialist Mr Giampiero Pesenti, owns Ciments Français of France. It said it would use the cash to take advantage of "some good opportunities" for acquisitions in an enfeebled European market.

Separately, Italcementi is going to ask shareholders, at their meeting on June 9, for authority to raise its capital by up to L650bn nominal over the next five years, and to issue convertible and ordinary bonds up to the same amount.

"This company prefers to have the funds in-house to carry out certain operations," said a spokesman on Friday, when the issue was announced.

Italcementi will seek permission for the issue of 37.5m new ordinary shares, and 23.4m savings shares, at between L7,000 and L8,000 per share. The issue will raise between L426bn and L487bn.

A further L60.9bn could be raised through the conversion of warrants attached to each new share, on the basis of one more new share, priced at L10,000, for each 10 warrants.

Italmobiliare, the holding company which controls 51 per cent of Italcementi, announced a similarly complex capital increase last September to raise L260bn. This will help cover its entitlement in the Italcementi issue.

# Noranda back to the black with C$44m

A weak Canadian dollar, lower interest rates and improvements in some commodity prices helped Noranda, the Canadian resources group, return to profitability in the first quarter, writes Bernard Simon in Toronto.

Earnings were C$44m (US$31.8m), or 18 cents a share, compared with a C$31m loss, or 25 cents, a year earlier.

Revenues rose to C$1.4bn from C$1.25bn. Last year's figure includes a C$66m loss on the sale of Noranda's controlling stake in MacMillan Bloedel, the forest-products group.

Mining and metal operations turned from a C$3m loss to a C$17m profit, due to higher output and improved aluminium and gold prices. Operating earnings from forest products rose to C$27m from C$16m, and from oil and gas to C$23m from C$11m.

## HK utility surges

China Light and Power, the monopoly supplier of electricity to Kowloon and the New Territories of Hong Kong, announced interim profits of HK$2.08bn (US$270m) for the six months to March 31, up 20 per cent from HK$1.7bn last year, writes Lousie Lucas in Hong Kong. Earnings per share climbed to HK$1.04.

# The Markets

THIS WEEK

Global Investor / **John Plender**

## Puncturing the equity bubble

*US Fed chairman Alan Greenspan did a splendid job in puncturing the global bond bubble. Yet he failed to do quite the same for equities, which on any long term assessment still look on the high side despite their recent volatile behaviour. To take a rather old-fashioned yardstick, the yield on US equities as measured by the FT-Actuaries World Indices has risen by less than a quarter of a point to around 2.9 per cent since February 4, while the UK is up by about half a point at 3.9 per cent. Is there a risk that British pension fund managers, whose near-80 per cent commitment to equities sticks out like a sore thumb in all international comparisons, could still come unstuck?

I have asked this question before and been rewarded with a mailbag that the politicians would call full and frank. Yet instinct – mine, that is, and clearly not widely shared – suggests that the 18.8 per cent total return on UK equities over the past 10 years cannot be repeated over the next 10 if *nominal GDP growth is going* to be in the disinflationary 6 or 7 per cent area. That would require the kind of levitation that markets rarely sustain over more than brief periods: a bubble, in short.

My conviction that there will not be an early return to immoderate inflation, incidentally, is reinforced by the extraordinary twitchiness of bond markets at the merest hint of an upturn in earnings, or of drift in fiscal policy. We may be past the bottom of the inflation cycle in the English-speaking economies, but much trouble is already discounted.

A more *weighty case* for returning to the question is provided by the publication of the invaluable Pension Fund Indicators, produced annually by PDFM, the London-based fund management arm of UBS. It is not difficult to use PDFM's data to make the case that *equities are a dangerous long* term investment at today's levels.

The first and simplest of the arguments is merely that the returns on UK equities have been so exceptional for so long. Since 1975 they have outperformed the US, Germany and even Japan in sterling terms. Measured in local currency, UK equities still outperformed except in the period of extreme overvaluation in Tokyo in the bubble of the second half of the 1980s.

British pension fund managers clearly derived great benefit from their aggressive stance *in UK equities in a period* when the market value of pension fund assets was rising from £46.5m (at 1993 prices) in 1963 to an estimated £491m at end-1993. There was a huge windfall to equities at the expense of gilts on the basis of unanticipated inflation. Yet *such success over such a long* period may be a handicap in assessing the future, especially if bond market thinking is still over-influenced by past inflation, in which case gilts could have a windfall at the expense of equities.

In the long run equity earnings will tend to grow in line with national income. Equities are also expected to generate a higher total return than gilts because markets are said to price equities to allow for their greater volatility – though the risk premium argument is not entirely persuasive in a world where inflation has seriously *upset gilt valuations; nor again* in an institutionalised market where portfolios are widely spread and UK actuaries value funds by reference to income rather than stock market values.

The more important point made by Jim McCaughan of *PDFM is that over the past 10* years UK equities have had the benefit of a big favourable valuation adjustment; and that the penalty over the long run for getting the *initial* value of the investment wrong is lethal, regardless of underlying corporate performance. On a set of perfectly plausible assumptions about a reversion to long run trends in price/earnings ratios, dividend yields, dilution (as a result of capital raising), growth and inflation, he arrives at a projected global real return on bonds over the next 10 years of 2.6 per cent, compared with real equity *returns of 2.1 per cent for the* US, 2.4 per cent for Europe and minus 3.6 per cent for Japan.

That is not what the average UK pension fund manager is expecting, with exposure to real assets (equity and property) of 84 per cent. Still less what the average Japanese *manager is preparing for*. Yet the vulnerability of Japan to downward valuation adjustments is precisely what should be expected from a market that went from a p/e ratio of 25 in 1983 to 68 at the end of last year – the only mature economy with an emerging market p/e. The message is not reassuring for those buying equities for the long haul.

### ■ Buy high, sell low

In his days as chief investment strategist for James Capel, Alastair Ross Goobey used to do a provocative con*ference turn in which he dem*onstrated statistically that pension fund managers almost always concentrate their cash flow on last year's investment story, not on assets that are out of fashion and due for a comeback. *PDFM makes much* the same point: the peak allocation by pension funds to UK equities – up to three quarters of cash flow – took place after big market rises in 1987 and in 1990-91.

Another way of emphasising the importance of timing the *initial purchase – see charts –* is to look at the number of occasions on which a given level of p/e ratio has been followed by good or bad invest*ment returns. Today's historic* p/e on the FT-SE 100 index is over 19. The charts tell us that the number of occasions on which an investor would have earned a positive annual return when the average quarterly p/e has been between 17 and 20 has been a mere three out of 15 times.

This is not unlike the exercise carried out by Daniel O'Shea for M&G on the basis of BZW's figures of annual returns between 1918 and 1990, using dividend yields. Taking his figures, you find that in those years when the market has yielded 4 per cent or less, the subsequent five-year real return was negative in 10 out of 12 cases during that period. If fund managers are bad at short run judgments, as Mr Ross Goobey believes, *and if* the historical evidence suggests that longer run returns will be poor from today's valuation levels, the exposure to equities in the UK needs rethinking.

Before reaching for your poisoned pen, do not forget that when George Ross Goobey, Alastair's father, promoted the cult of the equity after the war, portfolios were as choc-a-bloc with gilts as they are today *with equities. And with Ross* Goobey *fils* now in charge of PosTel Investment Management, Britain's biggest pot of pension money, we need someone else, please, to do his conference turn. Is he really resisting the temptation to buy high and *sell low?*

### ■ Lloyds etc

Cheltenham & Gloucester Building Society's readiness to accept a less than generous offer from Lloyds Bank has prompted speculation about a stampede to snap up other societies. The financial logic is certainly compelling. In effect, Lloyds is exploiting an arbitrage opportunity between two *different forms of ownership.* Operating outside capital market discipline in a framework of only modest accountability, the managers of mutually owned building societies may be prepared to accept smaller acquisition premiums to obtain *the buyer of their choice.* Few customers will quibble about exit p/e ratios.

But Lloyds still faces formidable legal obstacles to completion. And as Patrick Frazer of banking consultants DIBC suggests, it may turn out to have scooped the pool much as it did in life assurance with its acquisition of Abbey Life. As with insurance there are many building societies not worth having and some good ones *that may not want to be had.* A stampede? That's going it a bit.

**Total return in local currency to 21/4/94**

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| **Cash** | | | | | |
| Week | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Month | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Bonds 3-5 year** | | | | | |
| Week | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Month | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Bonds 7-10 year** | | | | | |
| Week | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Month | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Equities** | | | | | |
| Week | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Month | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

**Best performing stocks from FT-A World Index in local currency to 21/4/94**

| | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Multi-Purpose Hld (Mal) | [illegible] | [illegible] | [illegible] | [illegible] |
| Aeci (SA) | [illegible] | [illegible] | [illegible] | [illegible] |
| United Plantations (Mal) | [illegible] | [illegible] | [illegible] | [illegible] |
| Lingui Development (Mal) | [illegible] | [illegible] | [illegible] | [illegible] |
| Highlands (Mal) | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

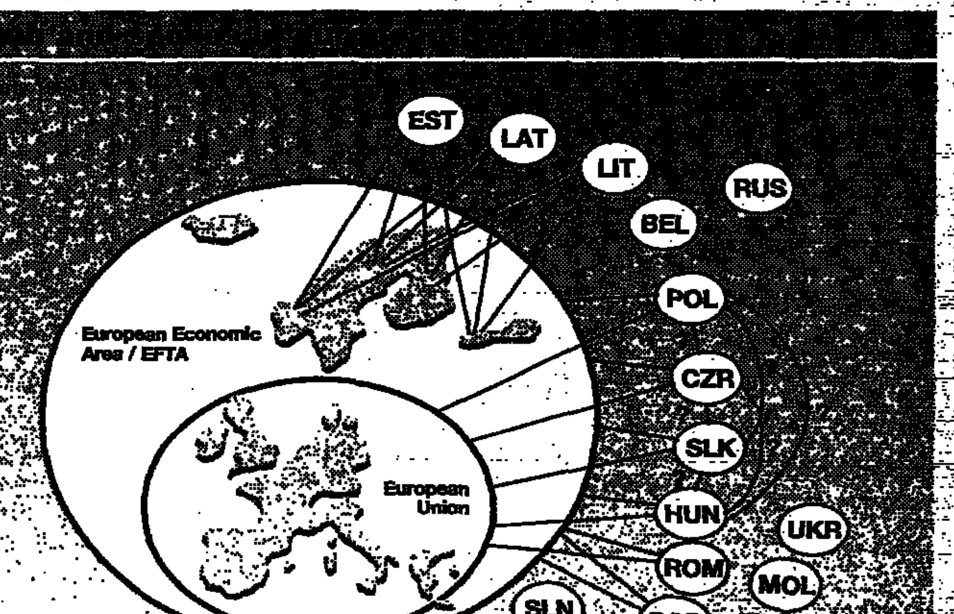


Economic Eye / **Martin Wolf**

## Why the European Union will enlarge eastwards, slowly

At the Copenhagen summit in 1993, the European Council "agreed that the associated countries in central and eastern Europe that so desire shall become members of the European Union. Accession will take place as soon as an *associated country is able to* assume the obligations of membership by satisfying the economic and political conditions required."

*So will inclusion at least* of the Czech Republic, Hungary, Poland, Slovakia (the Visegrad-4) and Slovenia have occurred by the end of the century? Probably not is the answer. Their membership is more likely to take two decades. The question is what to do in the meantime. This matters because the present higgledy-piggledy array of agreements with – and between – the countries of cen*tral and eastern Europe, shown* in the chart, is quite unsatisfactory.




Source: Baldwin

These points are the heart of a splendid new book by Richard Baldwin, an American trade economist, now Professor at the Graduate Institute of International Studies in Geneva.*

In addition to a discussion of enlargement, however, the book contains an excellent survey of recent theory on the links between trade and economic activity and an analysis of the possible effects on European trade patterns of changes in central and eastern Europe. *Under fairly conservative* assumptions about economic growth, argues Prof Baldwin, the volume of exports from the present EU to central and eastern Europe and the former Soviet Union could grow at annual average rates of 10 per cent or more.

*Still more significant* are the political benefits of integration: healing the post-war division of Europe, stabilising the politics of central and eastern Europe and embedding unified Germany more firmly. For all that, insists Prof Baldwin, full membership will not happen *soon.*

"The main difficulties," he points out, "concern EU agriculture and structural spending programmes, EU decision*making mechanisms, trade in* sensitive products and migration". In particular, the Visegrad-4, though among the most advanced economies in central and eastern Europe, are "two and a half times more agricultural and less than one third as rich as the EU-12".

Prof Baldwin cites one study which concludes that adding only the Visegrad-4 to the common agricultural policy would double its budgetary cost.

Since these countries would also be entitled to substantial sums from the EU's structural funds, Prof Baldwin finds that the net budget cost of this *enlargement would be close* to 70 per cent of the projected 1999 budget of the EU. Even on very optimistic assumptions about economic growth, it would take 10-15 years before entry of eastern countries might be neutral for the EU's budget.

*If present rules* were followed, a move from the EU of 12 to one that included the EFTA applicants (less Norway), plus the Visegrad-4, would also raise the number of council votes from 76 to 109 and the blocking minority from 23 to 32. With all possible members, *votes could increase to* 134, with a blocking minority of 39. Meanwhile, the share in population of the four big countries would fall from 77 *per cent to 56 per cent,* but their share in the votes would decline from 53 to just 30 per cent. Not only would the weight of small countries be increased, so would the weight of poor countries with an interest in greater transfers.

What is to be done? One option – desirable whatever is done with the leading candidates, given the large number that will remain outside for a long time – would be to systematise and liberalise the association agreements.

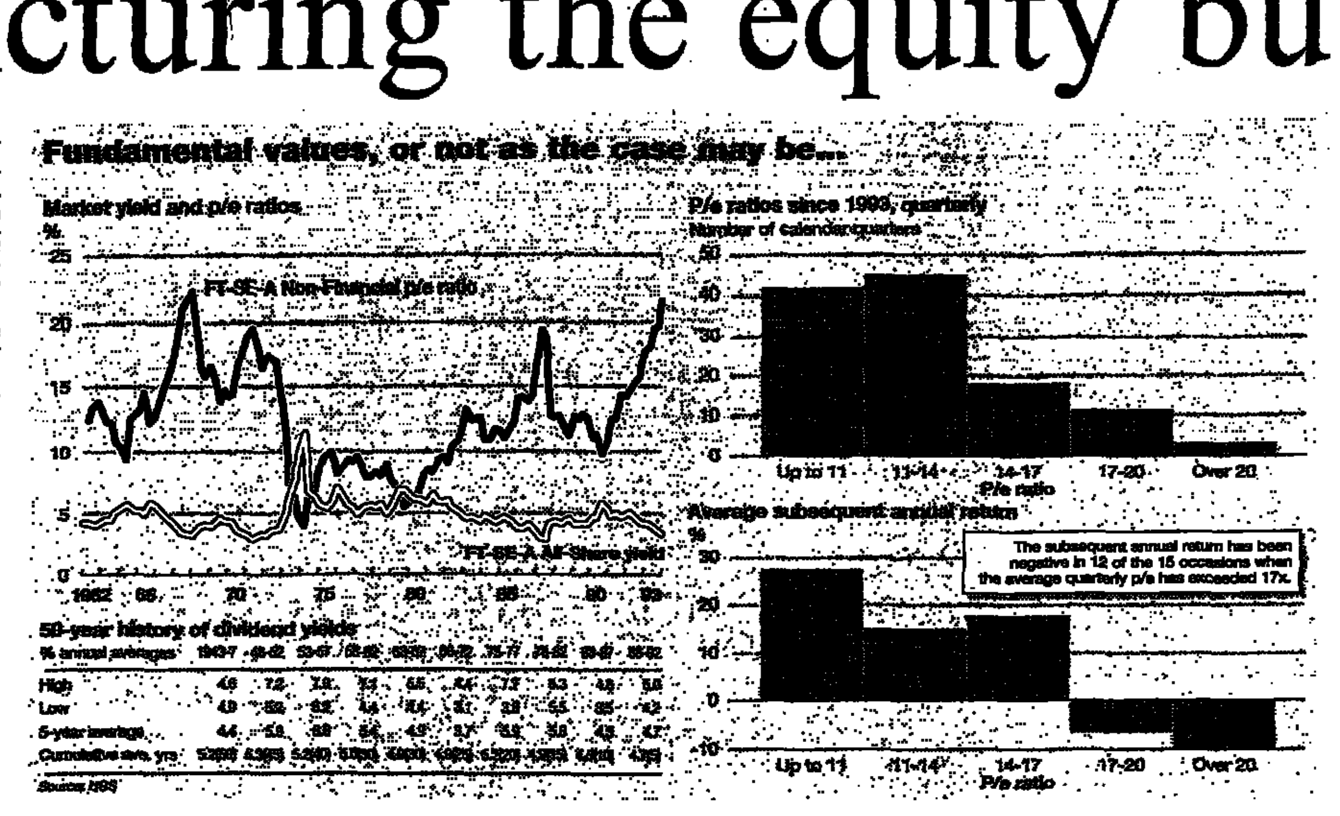
At present, these restrict the potential for trade among the countries of central and east*ern Europe,* which must encourage firms wishing to supply both these markets and the EU to locate within the latter. Prof Baldwin's suggestion is an Association of Association Agreements (AAA), the aim being to regionalise the trade and investment liberalis*ation in the Europe Agree*ments.

A second option would be to make some of the countries of central and eastern Europe second class members of the EU, excluded from the CAP, structural spending programmes and labour mobility, too. But *they would then probably* have to be deprived of votes, since "unpleasantness is unavoidable when second-class ticket holders have a say in what the *first-class passengers are going* to have for dinner". They would instead become even less privileged than participants in the European Economic Area, whose current members are trying to join the EU.

This creates a third option, which would be to *offer more* advanced eastern applicants membership of something similar to the EEA, probably without free labour mobility. Prof Baldwin *calls for* an Organisation for European Integration (OEI), largely to oversee inclusion of central and eastern European countries within the single market as they become ready.

The AAA and OEI would make sense under almost any circumstances. But the whole problem could be greatly simplified by adopting a fourth option, one so radical that Prof Baldwin hardly dares mention it. Scrap the CAP; abandon the mistaken idea that poor countries need large transfers to catch up with richer ones and eliminate the overweighting of small countries in EU voting. Then the EU could be enlarged relatively expeditiously. It is all quite simple, really.

**Richard Baldwin, Towards an Integrated Europe (London: Centre for Economic Policy Research, 1994).*



## EMERGING MARKETS: This Week

The Emerging Investor / **William Barnes**

# Middle classes back Thai unit trusts

The unexpected popularity of Baht-based unit trusts owes as much to the eager demand from Bangkok's burgeoning middle class as to the timing of foreign fund managers.

After two years of strong growth, unit trusts have attracted about $7bn, or some 7 per cent of the Bangkok market's capitalisation, overturning the notion that Thai investors will shun managed funds for the personal thrill of hunting for quick rewards.

"What we have seen so far is only the tip of the iceberg – more and more people realise that they have not got the time to try to follow every twist and turn of the stock market," said Mr Yingyong Nilasena, vice-president for research at Thai Farmers Asset Management.

The eight companies currently permitted to issue unit trusts – referred to as mutual trusts in Thailand – have tapped not only Bangkok's middle class but also strong demand from the supposedly less sophisticated provinces, where investors apparently feel excluded from the Bangkok market rumour mill.

Mr Peter Emblin, a senior vice-president at One Investment Management, said: "A year ago almost all the money going into our new funds came from Bangkok; 70 per cent of the money in our latest fund still came from Bangkok, yet nearly two thirds of the unit holders are from up country."

Many foreign fund managers have quickly spotted the attractions of closed-end Thai unit trusts that usually trade at a sizeable discount to the value of their portfolios.

A fifth may already be in foreign hands, becoming particularly popular with nervous managers near the top of last year's sharp rally in Thai shares.

Baht-based trusts have 'a number of advantages over direct investment: there are no limits to foreign ownership of unit trusts; they are not subject to foreign share ownership limits so they do not have to pay the premium that often attaches to "foreign" shares; they also pay only about 0.3 per cent in brokerage commission compared to the average of about 1 per cent levied against overseas funds.

Thailand's powerful commercial banks have become enthusiastic converts to fund management, which is seen as a useful source of income at a time when the Bank of Thailand is pressuring them to squeeze their traditionally wide and profitable spreads between lending and deposit rates.

The three biggest banks – Siam Commercial Bank, Bangkok Bank and Thai Farmers Bank – used slick television advertising and their own extensive branch networks to acquire nearly half the money invested in unit trusts, as at the end of January 1994.

**Ten best performing stocks**

| Stock | Country | Friday close | Week on week change $ | Week on week change % |
|---|---|---|---|---|
| Eczacibasi Yatirim | Turkey | 0.1828 | 0.0321 | 21.32 |
| Otosan | Turkey | 2.5020 | 0.3048 | 13.87 |
| Formosa Chemical & Fibre | Taiwan | 1.2188 | 0.1458 | 13.59 |
| C.P.Feedmill | Thailand | 6.3737 | 0.7555 | 13.45 |
| Chang Hwa Bank | Taiwan | 5.9425 | 0.6188 | 13.24 |
| Hua Nan Commercial Bank | Taiwan | 6.6238 | 0.7470 | 12.71 |
| Hyundai Engineering | S.Korea | 48.3241 | 4.9453 | 11.40 |
| Inti Indorayon Utama | Indonesia | 2.5687 | 0.2412 | 10.37 |
| Finance One | Thailand | 14.4101 | 1.1955 | 9.05 |
| Tan Chong Motor Holdings | Malaysia | 1.2118 | 0.0959 | 8.60 |

Source: Baring Securities

The Bangkok Bank expects that from next month its customers will be able to use their ATM cards to transfer money to and from units in the bank's fund management affiliate, only two years after this was first done in the US, which has a long-established mutual fund industry.

Fund managers admit that this year's one third slide in share prices and the upturn in interest rates has bruised a lot of their often first-time customers, who bought in last year's bull run.

Some managers like Mr Emblin say that it is an educational process: "They are missing the fact that 80 per cent of funds outperformed the market on the way down, so they have done what they are supposed to do."

However, others, like Mr Sangad Satapatana, a director of Baring Research in Bangkok, say that many companies sold unit trusts aggressively on past performances of only a few months. "Last year people simply thought they were better than bank deposits which were paying lousy interest rates. I suspect that most of the people who bought the funds didn't understand the risk."

Yet if the image of trusts has been tarnished they were being created at the rate of seven a month during the first quarter of this year.

Although 90 per cent of unit trusts are currently closed-end, Mr Thawat Angsuwarangsi, managing director of BBL Asset Management, the Bangkok Bank's 25 per cent-owned affiliate, predicts they will be rapidly overshadowed by open-ended funds.

"I think it was wrong to lock people into closed-end funds without telling them the risks. Now people want the flexibility of open-ended funds," he said.

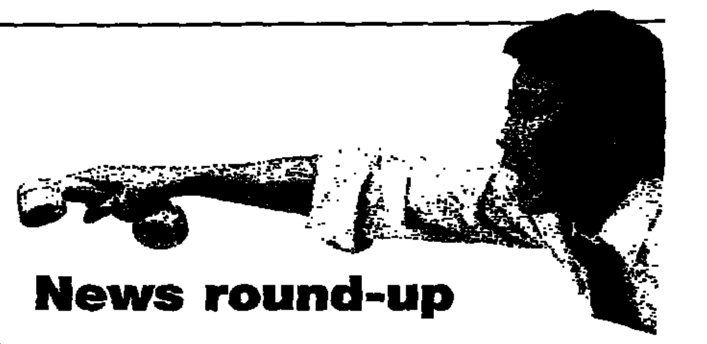
The Securities and Exchange Commission expects to license only a further six or seven fund managers: the requirement that every 25 per cent stake holder must be either a financial institution or an insurance company limits the number of participants.

Fund managers complain that the industry is currently restricted because the Securities and Exchange Commission forbids funds from diversifying overseas; this is of particular concern given the lack of derivative instruments in the local market.

Although the SEC says that it may soon relax its rules pending clarification of permitted overseas investments, the central bank, the Bank of Thailand, is worried that such a move could further exacerbate a worrying national savings gap.

However, Mr Eamonn McConnell of the Thai Asia Mutual Fund said: "Diversification would actually help stabilise the local market because investors would be less tempted to withdraw their funds if the Bangkok market turns down. So in that sense it should encourage people to save more not less."

Seven of the eight companies currently authorised to create mutual funds only opened their books in March 1992, yet Baht-denominated funds have proved extremely popular, helped by last year's sharp rise in share prices and low interest rates.



## News round-up

### ■ Mexico

The finance ministry has said that foreign financial institutions, including banks, brokerage firms and insurance companies, will be allowed to begin operating in Mexico in the second half of 1994.

The new ruling will not be open to just US and Canadian financial institutions, but will be extended to other overseas institutions that have a branch in one of those two countries.

● Mexican equities were volatile last week following the sharp rise in interest rates. Kleinwort Benson, in its latest Latin American bulletin, remains reasonably cheerful about the situation. "If, for the foreseeable future, 10 per cent is to be the real interest rate that foreigners demand for the risk of selling their dollars at 3.36 pesos, then the current gloom will have been well founded, and even 2 per cent GDP growth may prove to be too optimistic," they say.

"We would, however, remind investors that eight months remain of this year, that the exchange rate has already dropped 8 per cent since January and that government spending remains heavy. It is our view that any signal that interest rates can ease by 6 per cent or 7 per cent by the third quarter will calm many of the market's current worries."

### ■ Turkey

The Istanbul equity market lost 18 per cent over the week, with most of the selling following from a crisis in the country's banking system. The stock exchange suspended trading in Marbank, a small trade finance bank, during the week, after the Treasury closed down the the Istanbul-based Turkish Tourism and Investment bank.

The government is intending to introduce new laws which will give more power to the central bank to defend the system.

### ■ Prague

The Czech economy should grow by an annual rate of 7 per cent by 1998, with inflation slowing to 6 per cent, according to a report released by Salomon Brothers.

### ■ Strategy

North African markets showed good first quarter performances, extending last year's gains, according to research published last week by Kleiman International, the US-based independent group, which analyses emerging banking and securities markets.

Egypt, Morocco and Tunisia saw respective local gains in the first three months of 28, 17 and 18 per cent, largely, says Kleiman, on optimism over economic improvement, privatisation and increased foreign investor interest.

Cyprus's OTC market was another notable riser, climbing 14 per cent in local terms and thereby reversing 2 years of decline.

### ■ Amman

The Amman stock exchange continued a downward trend at the end of the week's trading on worries concerning Jordan's economic role following the implementation of a PLO-Israeli accord.

The general price index fell 1 per cent to 156.9.

Brokers said that sentiment was not helped by a liquidity shortage accentuated by a fall in overall demand in the economy. Turnover last week dropped 2.4 per cent.

### ■ Chile

Shareholders of Endesa, Chile's main electricity producer, have authorised the company to raise 48.4bn pesos ($113m) in new capital, including a placement of ADRs in July or September.

Mr Jose Yurasek, president, said that the company hoped to raise $50m through the placement.

**Baring Securities emerging markets indices**

| Index | 22/4/94 | Week on week movement Actual | Week on week movement Percent | Month on month movement Actual | Month on month movement Percent | Year to date movement Actual | Year to date movement Percent |
|---|---|---|---|---|---|---|---|
| World (248) | 143.56 | -7.35 | -4.87 | -10.20 | -6.64 | -24.85 | -14.76 |
| **Latin America** | | | | | | | |
| Argentina (19) | 98.53 | -4.91 | -4.75 | -5.61 | -5.39 | -16.85 | -14.60 |
| Brazil (20) | 123.67 | -31.93 | -20.52 | -52.66 | -29.86 | -15.98 | 11.44 |
| Chile (12) | 162.08 | 2.37 | 1.49 | 5.46 | 3.49 | 14.54 | 9.86 |
| Mexico (24) | 123.88 | -7.28 | -5.55 | -17.51 | -12.39 | -37.38 | -23.18 |
| Latin America (75) | 125.34 | -12.21 | -8.88 | -22.12 | -15.00 | 23.90 | -16.02 |
| **Europe** | | | | | | | |
| Greece (14) | 90.06 | 0.79 | 0.89 | -9.39 | -9.44 | 6.97 | 8.39 |
| Portugal (14) | 125.22 | -1.10 | -0.87 | -5.34 | -4.09 | 13.09 | 11.67 |
| Turkey (22) | 72.20 | -7.64 | -9.57 | 0.31 | 0.43 | -89.51 | -55.35 |
| Europe (50) | 101.97 | -1.71 | -1.65 | -5.64 | -5.24 | -10.26 | -9.14 |
| **Asia** | | | | | | | |
| Indonesia (17) | 138.06 | -5.19 | -3.63 | -13.61 | -8.98 | -32.98 | -19.28 |
| Korea (23) | 119.18 | 2.01 | 1.71 | 2.60 | 2.23 | 9.48 | 8.64 |
| Malaysia (22) | 209.54 | -1.59 | -0.75 | 15.56 | 8.02 | -43.51 | -17.19 |
| Philippines (11) | 265.38 | 2.59 | 0.99 | 25.39 | 10.58 | -57.10 | -17.71 |
| Thailand (21) | 211.38 | -0.05 | -0.02 | 13.70 | 6.93 | -52.17 | -19.80 |
| Taiwan (29) | 147.63 | 6.43 | 4.55 | 14.89 | 11.21 | -6.08 | -3.96 |
| Asia (123) | 190.74 | 0.72 | 0.38 | 12.17 | 6.82 | -30.67 | -13.85 |

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCY MARKETS Philip Gawith

# Outlook for dollar remains the focus

The dollar will be the focus of attention this week as markets ponder the weekend G7 meeting, the release of US GDP figures, and the likely election of a new Japanese prime minister.

Although G7 meetings rarely produce any comment on currencies, markets were nervous last week that rumours of concerted central bank intervention to support the dollar might presage some sort of G7 initiative.

Extensive dollar purchases by the Bank of Japan have kept the dollar fairly steady at Y103 to Y105 in recent weeks. Increasingly, though, the danger for the dollar is seen to lie on the downside, with many analysts predicting that it will test the Y100 level.

An important factor will be the confirmation today by the Japanese parliament of Mr Tsutomu Hata as the new prime minister. Mr Hata, formerly foreign minister, said last Friday that the passage of the budget, delayed over the past month, would be a priority.

He also said the trade dispute with the US should be resolved by the time of the G7 summit of industrialised nations in July. Successful resolution of these two issues should help the dollar.

In the nearer term, the release on Thursday of the advance US first quarter GDP figure will be closely watched. A robust growth figure – the market is looking for about 3.5 to 3.7 per cent – will certainly hasten the prospect of a further tightening of policy by the Fed. It is doubtful, though, whether this will help the dollar.

Recent dollar weakness appears to have been a function of uncertainty in US equity and bond markets. The outlook for the dollar is, therefore, likely be determined by how these markets respond to the GDP figure.

Both fell after the last policy tightening. Unless the risk of a capital loss in US equity and bond markets is reduced, the dollar is likely to remain under pressure.

In Europe an important event will be the release on Friday of the French unemployment figure for March. A deterioration from last month's figure of 12.2 per cent will intensify pressure for a relaxation of monetary policy. If this is resisted, the franc is likely to come under renewed pressure.

In Germany the release of M3 and inflation data is expected to bolster the case for further monetary easing.

Elsewhere, attention will focus on South Africa's first democratic elections. A relatively peaceful election, and an uncontested outcome, will probably result in a sharp appreciation of the commercial and financial rands. Violence and dissension, however, could well have the opposite effect.

**FT GUIDE TO WORLD CURRENCIES**

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 22, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 2534.90 | 1708.86 | 1007.11 | 1646.88 |
| Albania | (Lek) | 163.75 | 110.247 | 65.0576 | 106.373 |
| Algeria | (Dinar) | 53.80 | 36.2216 | 21.3746 | 34.9486 |
| Andorra | (Fr Fr) | 8.6256 | 5.8073 | 3.4269 | 5.6032 |
| [illegible] | | | | | |
| Dominican Rep | (D Peso) | 19.4249 | 13.078 | 7.7174 | 12.6184 |
| Ecuador | (Sucre) | 3033.58o | 2042.39 | 1205.23 | 1970.61 |
| | | 3219.83e | 2167.85 | 1279.15 | 2091.48 |
| Egypt | (Egyptian £) | 5.0368 | 3.3909 | 2.001 | 3.2717 |
| El Salvador | (Colon) | 13.0244 | 8.7686 | 5.1745 | 8.4606 |
| Equat'l Guinea | (CFA Fr) | 862.560 | 580.731 | 342.694 | 560.322 |
| Estonia | (Kroon) | 20.1336 | 13.5552 | 7.999 | 13.0788 |
| Ethiopia | (Ethiopian Birr) | 7.3383 | 4.9408 | 2.9154 | 4.7669 |
| Falkland Is | (Falk £) | 1.00 | 0.6732 | 0.3972 | 0.6496 |
| Faroe Is | (Danish Krone) | 9.8746 | 6.6482 | 3.9231 | 6.4145 |
| Fiji Is | (Fiji $) | 2.2241 | 1.4974 | 0.8836 | 1.4447 |
| Finland | (Markka) | 8.1578 | 5.4923 | 3.241 | 5.2993 |
| France | (Fr) | 8.6256 | 5.8073 | 3.4269 | 5.6032 |
| Fr. Cty/Africa | (CFA Fr) | 862.560 | 580.731 | 342.694 | 560.322 |
| Fr. Guiana | (Local Fr) | 8.6256 | 5.8073 | 3.4269 | 5.6032 |
| Fr. Pacific Is | (CFP Fr) | 156.80 | 105.635 | 62.3091 | 101.923 |
| Gabon | (CFA Fr) | 862.560 | 580.731 | 342.694 | 560.322 |

| | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Gambia | (Dalasi) | 14.7669 | 9.9413 | 5.8664 | 9.5919 |
| Germany | (D-Mark) | 2.5170 | 1.6946 | 1 | 1.635 |
| Ghana | (Cedi) | 1378.35 | 927.994 | 547.616 | 895.391 |
| Gibraltar | (Gib £) | 1.00 | 0.6732 | 0.3972 | 0.6496 |
| [illegible] | | | | | |
| Miquelon | (Local Fr) | 8.6256 | 5.8073 | 3.4269 | 5.6032 |
| Monaco | (French Fr) | 8.6256 | 5.8073 | 3.4269 | 5.6032 |
| Mongolia | (Tugrik) | 595.40 | 400.862 | 236.551 | 386.774 |
| Montserrat | (E Carr $) | 4.0180 | 2.7058 | 1.5967 | 2.6107 |
| Morocco | (Dirham) | 13.9845 | 9.4152 | 5.556 | 9.0843 |
| Mozambique | (Metical) | 8662.30 | 5830.04 | 3322.33 | 5432.18 |
| Namibia | (S A Rand) | 5.3681 | 3.6141 | 2.1327 | 3.4871 |
| Nauru Is | (Australian $) | 2.0668 | 1.3915 | 0.8211 | 1.3426 |
| Nepal | (Nepalese Rupee) | 73.3065 | 49.356 | 29.1253 | 47.6214 |
| Netherlands | (Guilder) | 2.8285 | 1.9043 | 1.1237 | 1.8374 |
| N'nd Antilles | (A/Guilder) | 2.6645 | 1.7939 | 1.0586 | 1.7309 |
| New Zealand | (NZ $) | 2.5928 | 1.7456 | 1.0301 | 1.6842 |
| Nicaragua | (Gold Cordoba) | 9.7830 | 6.5865 | 3.8867 | 6.355 |
| Niger Rep | (CFA Fr) | 862.560 | 580.731 | 342.694 | 560.322 |
| Nigeria | (Naira) | 32.6755 | 21.9992 | 12.9818 | 21.2261 |
| Norway | (Nor. Krone) | 10.9190 | 7.3513 | 4.3381 | 7.093 |
| Oman | (Rial Omani) | 0.5716 | 0.3848 | 0.2271 | 0.3714 |

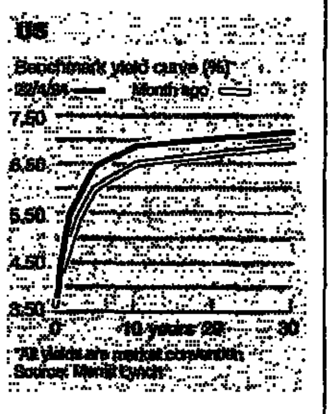
| | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Pakistan | (Pak. Rupee) | 45.3291 | 30.5184 | 18.0091 | 29.4459 |
| Panama | (Balboa) | 1.4853 | 1 | 0.5901 | 0.9648 |
| Papua New Guinea | (Kina) | 1.4110 | 0.9489 | 0.5605 | 0.9165 |
| Paraguay | (Guarani) | 2676.30 | 1801.86 | 1063.29 | 1738.53 |
| Peru | (New Sol) | 3.2401 | 2.1814 | 1.2872 | 2.1047 |
| [illegible] | | | | | |
| U A E | (Dirham) | 5.4548 | 3.6725 | 2.1671 | 3.5434 |
| United Kingdom | (£) | 1.00 | 0.6732 | 0.3972 | 0.6496 |
| United States | (US $) | 1.4853 | 1 | 0.5901 | 0.9648 |
| Uruguay | (Peso Uruguayo) | 7.0855 | 4.7704 | 2.815 | 4.6027 |
| Vanuatu | (Vatu) | 173.180 | 116.596 | 68.8041 | 112.496 |
| Vatican | (Lira) | 2408.33 | 1621.44 | 956.826 | 1564.46 |
| Venezuela | (Bolivar) | 173.834 | 117.036 | 69.0639 | 112.923 |
| Vietnam | (Dong) | 16281.5 | 10966.5 | 6472.59 | 10583 |
| Virgin Is-British | (US $) | 1.4853 | 1 | 0.5901 | 0.9648 |
| Virgin Is-US | (US $) | 1.4853 | 1 | 0.5901 | 0.9648 |
| Western Samoa | (Tala) | 3.7675 | 2.5499 | 1.5047 | 2.4603 |
| Yemen (Rep of) | (Rial) | 86.30e | 58.4492 | 35.0814 | 57.36 |
| Yemen (Rep of) | (Dinar) | 0.6860 | 0.4618 | 0.2725 | 0.4458 |
| Yugoslavia | (New Dinar)(1) | | | | |
| Zaire Rep | (Zaire) | 345.00 | 232.276 | 137.069 | 224.113 |
| Zambia | (Kwacha) | 1040.45 | 700.496 | 413.369 | 675.88 |
| Zimbabwe | ($) | 12.0790 | 8.1323 | 4.7969 | 7.8465 |

Special Drawing Rights April 21, 1994 United Kingdom 20.942607 United States $1.40846 Germany DM2.37920 Japan Y144.935 European Currency Unit Rates April 22, 1994 United Kingdom £0.769944 United States $1.14260 Germany DM1.93493 Japan Y118.770

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rwandan rate for March 31st. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Friday, April 22, 1994

# WORLD BOND MARKETS: This Week

## NEW YORK — Patrick Harverson




A raft of economic data due this week should provide the bond market with more meat to chew on. After last week's mixed menu, when prices dived and then soared in nervous reaction to conflicting data, the market will be hoping for some consistency in the numbers, especially in a week when the Treasury will be selling new government securities.

The big event is Thursday's release of the first-quarter gross domestic product report. After 7 per cent growth in the final three months of last year, analysts expect the economy to have slowed considerably in this year's opening quarter and are predicting GDP growth close to 3.5 per cent.

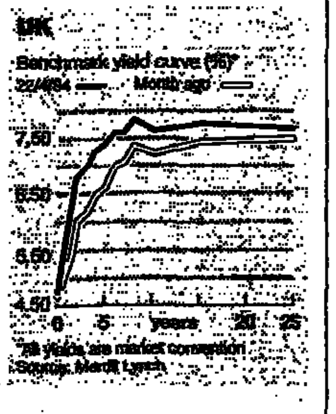
Anything much larger than that could spark heavy selling.

In the GDP data, traders will be keeping a eye out for the implicit price-deflator – a key inflation measure – which is predicted to come in around 1.5 per cent.

Among the other important figures out this week is the latest consumer confidence index (tomorrow), which is expected to be broadly flat and will be followed later in the week by data on consumer spending and personal income.

The March durable goods orders are also due out. Finally, new home sales on Friday should show a sharp snapback in March sales following the weather-related declines of January and February.

## LONDON — Philip Coggan




After buoyant figures on the UK economy last week, the gilts market will be watching today's numbers on first-quarter gross domestic product closely.

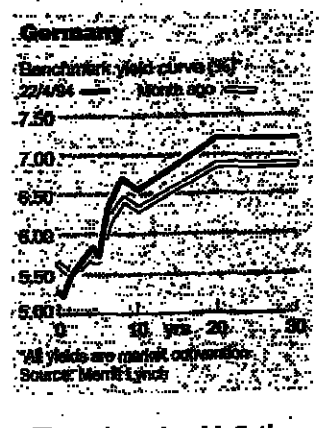
The consensus forecast is for 0.7 per cent quarter-on-quarter growth, although Mr Nigel Richardson, head of bond research at Yamaichi International (Europe), is plumping for 0.6 per cent. However, his forecast still means "that the economy will be heading for 2.5 per cent plus growth this year".

Further evidence of the recovery's strength will be provided by tomorrow's Industrial Trends survey from the Confederation of British Industry.

On Wednesday, the first auction of the 1994-95 financial year sees £2bn of 1999 stock on sale. Last week, figures confirmed that the public-sector borrowing requirement was £4bn short of the official forecast. According to NatWest Markets, net gilt sales in 1994-95 will be less than half those needed in 1993-94.

Last week's statistics, which included a sharper-than-expected jump in retail sales and a fall in unemployment, seem to have dashed hopes of a rate cut in the near future. But gilts, helped by a rally in US bonds, held up quite well. Mr Walton said: "When long yields get close to 8 per cent, the market seems to bounce off that level."

## FRANKFURT — Christopher Parkes




Germany's private-sector economists are starting to bring their economic growth forecasts into line with the perky prognoses aired last week by economics minister Mr Günter Rexrodt.

Even allowing for the electioneering content of his statements, many tend to agree that 1.5 per cent pan-German growth is likely this year. The net short-term result is likely to be a diversion of investors' attention from interest rate possibilities to cyclical stocks, despite the DAX's gyrations early last week, according to DB Research.

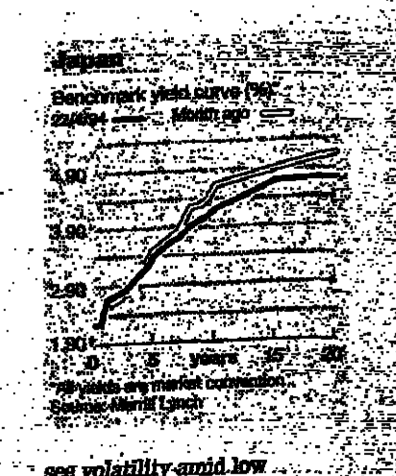
Rate prospects will be reviewed early this week, when the Bundesbank is due finally to come up with its March M3 figures.

Markets will be examining the broken-down money supply numbers rather than the headline rate – likely still to be distorted by the Buba's notorious "special factors" – for any signs of lurking inflationary pressure.

The main regional inflation figures are also due in. Last Friday, Baden-Württemberg reported a 0.3 per cent month-on-month rise and a 3.1 per cent annual rate.

At the same time, west German March producer prices were reported up 0.3 per cent year-on-year. This could suggest industry shares some of Mr Rexrodt's optimism and will try to claw back some of the margin cuts it has borne over the past 18 months.

## TOKYO — Emiko Terazono




With the election of Mr Tsutomu Hata as prime minister scheduled for today, the political situation has stabilised. The government bond market is in for a quiet week ahead of the "Golden Week" holiday which starts Friday.

Investors are expecting a slew of economic data, but business year-end distortions are likely to complicate interpretation of the figures.

Barclays de Zoete Wedd in Tokyo points out that "the need to publish so many figures ahead of the holidays may lead to information-overload".

Leading indicators of business sentiment for February will be announced on Tuesday, with March industrial production data and large-store retail sales released on Wednesday. On Thursday, there will be the March consumer prices index, labour statistics, housing starts, and construction orders.

Although bond prices may see volatility amid low volumes, the disruption is expected to be limited, due to support from domestic institutional investors, who this month announced plans to allocate funds to the domestic bond market.

The industrial production data are among those likely to be affected by year-end factors. Corporations are likely to have pushed up output to boost the figures, and lowered prices to raise shipments.

Capital & Credit / Mark Suzman and Sara Webb

# Banking on the new South Africa

During the dark days of apartheid, South Africa was shunned in the international capital markets. But with an all-race, democratically-elected government expected after this week's election, investment bankers are falling over each other to win business from South African borrowers.

South Africans – including the Republic of South Africa, the Electricity Supply Commission, and the Department of Posts and Telecommunications – tapped the international capital markets with bonds issues in the first half of the 1980s. However, thoughts of new international borrowing disappeared as the country was forced to institute a debt standstill in 1985, after international institutions refused to roll over outstanding short-term loans. A final rescheduling agreement on all affected debt was negotiated last year.

Competition is fierce among international investment banks to be appointed adviser to the new government. A report by Salomon Brothers concluded that on economic terms, the country "should be placed squarely in the mid-investment grade category", although it cautions that the political risk factor might lower the rating.

After the release of Mr Nelson Mandela in 1990, a handful of South African names successfully returned to the market, launching D-Mark-denominated international bond issues.

The Republic of South Africa's DM400m five-year issue – launched by Deutsche Bank in September 1991 with a coupon of 10.5 per cent – yielded 175 basis points over the German government bond. Swiss Bank Corporation says the yield spread over German bunds has widened, from 243 basis points in mid-March to 321 basis points on April 21 1994. The moves reflect international investor concern over the political risk.

The question now is whether the Republic of South Africa will tap the international bond market after the election.

As yet, there is little indication of a desire to increase international borrowing significantly. The hesitancy is due to the continuing depreciation of the rand, which makes foreign currency commitments expensive, and the desire of the National Party and the African National Congress, the two parties likely to dominate the new government, to limit total debt burden.

"It would be foolish for South Africa to borrow for the sake of borrowing," warns Mr Edward Osborne, chief economist at Nedbank. This sentiment is shared by ANC economics head Mr Trevor Manuel, who says South Africa should be "extremely cautious" before trying to borrow more money abroad – although a portion of the ANC's proposed reconstruction bonds to fund black development projects will probably be floated abroad.

Caution is also likely to be the watchword for non-government bond issuers. Escom, the state electricity company, may try a new Eurobond issue, but other companies are unlikely to follow close behind.

For the moment, therefore, most analysts expect the focus to remain on the domestic market.

Big bond issuers are the government and parastatals, such as Escom and Transnet, the transport, rail and ports authority. Some local companies have also dipped into the market, most notably blue-chip industrial South African Breweries. The bond market is capitalised at around R200bn and has an average monthly turnover of R63bn.

There is substantial foreign ownership, and non-residents hold an estimated R40bn in South African capital market stock. These non-resident investors have tended to be Swiss or German, but bankers say some started to take profits last year. The new wave of foreign investment has largely come from the US.

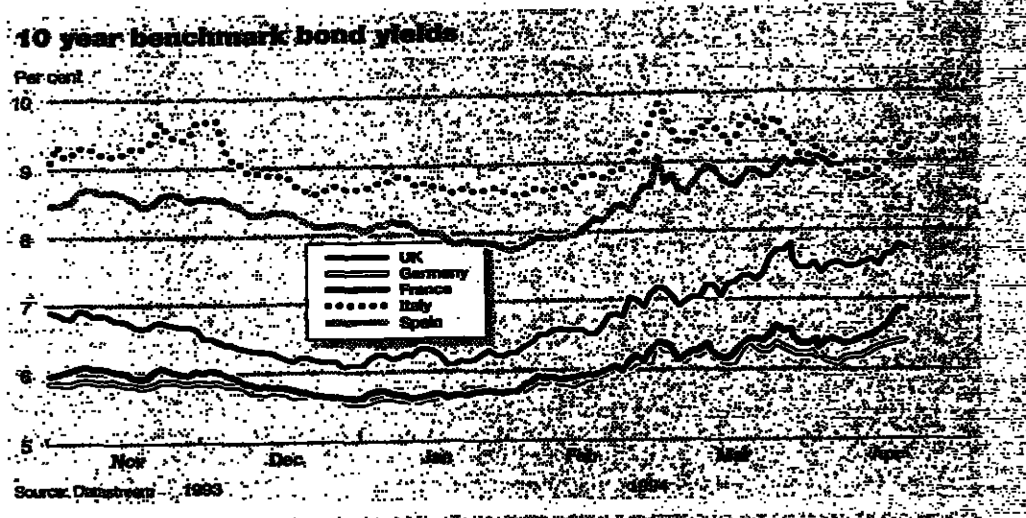
The most actively-traded bonds are government stock and Escom, with the two benchmarks being the R150 and the E168. The latter, in particular, is popular with foreigners, particularly continental Europeans, who hold almost half the outstanding Escom bonds.

However, the markets are volatile and sensitive to domestic political factors. After heavy buying for much of last year, fears about election prospects meant that between February and mid-April foreigners were net sellers of gilts, helping push long bond rates from a low of 11.62 per cent to a high of 13.39 per cent. Over the past two weeks, however, they have returned, and yields have dipped below 13 per cent.

The attractions for foreigners are twofold. First, interest rates are high. Second, the country's two-tier currency means the rate of return for foreign investors is significantly higher than for locals.

Non-residents are allowed to buy bonds at the financial rand exchange rate but get returns paid at the commercial rand exchange rate. With the current discount between the two currencies around 25 per cent, this means a significantly higher yield for foreigners.

## 10 year benchmark bond yields




### INTEREST RATES AT A GLANCE

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Discount | [illegible] | | | | | | |
| Overnight | [illegible] | | | | | | |
| Three month | [illegible] | | | | | | |
| One year | [illegible] | | | | | | |
| Five year | [illegible] | | | | | | |
| Ten year | [illegible] | | | | | | |

### US TREASURY BOND FUTURES (CBT)

| | Open | Sett price | | | | | |
|---|---|---|---|---|---|---|---|
| Jun | [illegible] | | | | | | |
| Sep | [illegible] | | | | | | |
| Dec | [illegible] | | | | | | |

## UK GILTS PRICES

| | Notes | Price £ | Wk % +/- | Amnt £m | Interest due | Last xd | City line |
|---|---|---|---|---|---|---|---|
| **Shorts" (Lives up to Five Years)** | | | | | | | |
| Exch 13½pc 1994 | | 100 | — | 1,100 | Ap27 Oc27 | 21.3 | 1267 |
| Treas. 10pc Ln. 1994‡‡ | | 100⅝ | -.1 | 1,900 | Ja9 De9 | 2.11 | 1284 |
| Exch 12½pc 1994 | | 102⅜ | -.2 | 1,240 | Fe22 Au22 | 17.1 | 1263 |
| Treas 9pc 1994‡‡ | | 102¼xd | -.1 | 1,900 | My17 Nv17 | 11.4 | 1345 |
| 12pc 1995 | | 104⅞ | -.2 | 2,350 | Ja25 Jy25 | 20.12 | 1294 |
| Exch 3pc Gas 90-95 | | 97¼xd | — | 214 | My1 Nv1 | 25.3 | 1271 |
| [illegible] | | | | | | | |
| Conversion 10¼pc 1999 | | 111¼xd | -1.1 | 1,798 | My22 Nv22 | 15.4 | 1242 |
| 9pc 2000‡‡ | | 106¼ | -1.0 | 5,358 | Mr3 Se3 | 25.1 | 1244 |
| Treas 13pc 2000 | | 124⅜ | -.9 | 3,171 | Ja14 Jy14 | 8.12 | 1259 |
| 10pc 2001 | | 111⅛ | -1.0 | 4,406 | Fe26 Au26 | 20.1 | 1260 |
| 7pc '01 ‡‡ | | 96⅝xd | -1.1 | 3,250 | My6 Nv6 | 30.3 | – |
| 7pc '01 A | | 96⅝ | -1.1 | 2,500 | My6 Nv6 | – | – |
| 9¾pc 2002 | | 111⅛ | -1.1 | 6,527 | Fe27 Au27 | 21.1 | 1349 |
| 8pc 2003‡‡ | | 101⅜ | -1.0 | 7,600 | Je10 De10 | 3.11 | – |
| 10pc 2003 | | 113⅝ | -1.1 | 2,500 | Mr8 Se8 | 31.1 | 1281 |

| | Notes | Price £ | Wk % +/- | Amnt £m | Interest due | Last xd | City line |
|---|---|---|---|---|---|---|---|
| Treas 11¼pc 2001-4 | | 117⅞ | -.9 | 1,620 | Mr19 Se19 | 10.2 | 1280 |
| Funding 3½pc '99-4 | | 78 | -1.2 | 543 | Ja14 Jy14 | 8.12 | 1274 |
| Conversion 9½pc 2004 | | 111¼xd | -1.2 | 3,412 | Ap25 Oc25 | 21.3 | 1246 |
| Treas 6¾pc 2004‡‡ | | 93⅜xd | -1.3 | 6,250 | My26 Nv26 | 18.4 | – |
| Conv 9½pc 2005 | | 112⅛ | -1.1 | 4,842 | Ap18 Oc18 | 14.3 | 1247 |
| Treas 12½pc 2003-5 | | 128½xd | -1.0 | 2,200 | My21 Nv21 | 14.4 | 1285 |
| [illegible] | | | | | | | |
| **Undated** | | | | | | | |
| Consols 4pc | | 49⅜ | -.7 | 359 | Fe1 Au1 | 28.12 | 1239 |
| War Loan 3½pc‡‡ | | 44½ | -1.2 | 1,909 | Je1 De1 | 25.10 | 1352 |
| Conv 3½pc '61 Aft. | | 80¼ | — | 119 | Ap1 Oc1 | 23.2 | 1243 |
| Treas 3pc '66 Aft | | 36⅜ | 0.2 | 56 | Ap5 Oc5 | 1.3 | 1324 |
| Consols 2½pc | | 31⅜ | -1.1 | 275 | 5JaApJyOc | 1.3 | 1238 |
| Treas. 2½pc | | 30⅝ | -2.0 | 475 | Ap1 Oc1 | 21.2 | 1315 |

| | Notes | Price £ | Wk % +/- | Amnt £m | Interest due | Last xd | City line |
|---|---|---|---|---|---|---|---|
| **Index-Linked** | (b) | | | | | | |
| Treas. 2pc '94 | (102.9) | 138 | 0.3 | 500 | My16 Nv16 | 11.4 | 5070 |
| 2pc '96 | (67.9) | 196¼ | — | 1,200 | Mr16 Se16 | 7.2 | 1313 |
| 4⅝pc '98‡‡ | (135.6) | 107⅜xd | -.6 | 800 | Ap27 Oc27 | 21.3 | – |
| 2½pc '01 | (78.3) | 168⅝ | -.6 | 1,500 | Mr24 Se24 | 15.2 | 1316 |
| 2½pc '03 | (78.8) | 165⅜xd | -.6 | 1,050 | My20 Nv20 | 13.4 | 1317 |
| 4⅜pc '04‡‡ | (135.6) | 112⅛xd | -.7 | 850 | Ap21 Oc21 | 22.4 | – |
| [illegible] | | | | | | | |
| **Other Fixed Interest** | | | | | | | |
| [illegible] | | | | | | | |
| Liverpool 3½pc Irred | | 38 | -1.3 | 5 | 1JaApJeOc | 1.6 | – |
| LCC 3pc '20 Aft | | 34½ | -1.4 | 26 | 1JaJeSeDe | 1.8 | – |
| Manchester 11½pc 2007 | | 121 | -.7 | 6 | Ap25 Oc25 | 3.93 | 3275 |
| Met. Wtr. 3pc 'B' | | 69¼ | -.2 | 25 | Mr1 Se1 | 1.6 | 3361 |
| N'wide Anglia 3⅞pc 2021 | | 137 | -.7 | 60 | Ja30 Jy30 | 1.93 | 3465 |
| 4⅛pc IL 2024 | | 132⅝ | -.8 | 50 | – | 20.7 | – |
| Utd Mex States 16½pc 2008 | | 144¼ | 0.9 | 50 | Mr1 Se1 | 27.8 | – |

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Conner Middelmann

# Budding Greek sector needs controls

Inspired by the sparkling debut of the drachma foreign bond market, Greece plans to issue fixed-rate domestic bonds with maturities of more than one year. However, many bankers feel that if the Greek authorities want government issuance to be a success, they should take further steps in regulating the embryonic market.

"We hope to come to the market as soon as we can", initially in maturities of up to three years, Mr Nicos Kyriazides, Greece's deputy finance minister, said on Friday. He said the maturity spectrum would be extended as interest rates declined, though this was contingent on a continuing fall in inflation, which is at 10.2 per cent, down from the 1993 average of 14.1 per cent.

Mr Kyriazides was in London to promote the Hellenic Republic's forthcoming DM1bn floating-rate note issue, which is expected to be launched this week via CS First Boston and Deutsche Bank. Greece also plans to tap other markets this year, including the Yankee, and is considering a global bond issue.

Success of supranational drachma deals earlier this year has spurred high hopes for Greek government issuance, which could boost the country's underdeveloped secondary bond market and shift some of Greece's short-term debt into longer maturities.

The European Investment Bank opened up the foreign drachma bond market – dubbed "Marathon" market – in February with an issue of 17¼ per cent five-year bonds. With a double-digit coupons attracting huge investor demand, the bonds put on a stellar performance.

Such was the success of the EIB deal, that other supranationals – the World Bank, the International Financing Corporation and the European Bank for Reconstruction and Development – came rushing into the sector.

Issuance was not only spurred by strong investor demand for high-yielding paper, but also by "incredible swap opportunities", allowing borrowers to achieve funding at a wider sub-Libor cost than in other currencies, says Mr George Papamarkakis, head of domestic capital markets at Bayerische Vereinsbank in Athens. According to syndicate sources, the World Bank achieved funding at 90 basis points below dollar Libor, the IFC got 75 basis points below Libor, and the EBRD achieved Libor less 60.

However, the drachma fever cooled when two non-supranationals, Bayerische Vereinsbank and Abbey National, tapped the sector, effectively opening a Eurodrachma market outside Greece. While Marathon bonds are listed in Athens and require approval from several regulatory bodies, Eurodrachma bonds are listed outside Greece and are effectively unregulated. Due to credit considerations, and because they are not exempt from withholding tax for Greek investors, these bonds pay a significant yield premium over the tax-free supranational issues.

Bankers fear a burgeoning Eurodrachma market could suck in the existing demand for drachma bonds and crowd the government out of the market when it chooses to issue longer-dated bonds. Moreover, the creation of an offshore drachma market means "the authorities could lose control of their money supply and currency", warned a dealer. "If they limited the number of issuers they let in the market, they would have more control over its development".

He points to the Spanish Matador foreign bond market, which developed gradually under the tight grip of the Bank of Spain, and whose success spurred the development of a liquid domestic bond market. "The Greek authorities should restrict the market initially to supranationals, then allow sovereigns, then agencies and finally everyone who wants to tap the market."

Indeed, the Greek authorities are considering a system where issuers must notify the monetary authorities of their borrowing plans.

Despite the market's initial growing pains, many observers welcome the issuance of longer-dated fixed-rate Greek government bonds. "If the government issues longer-dated fixed-rate bonds in the domestic market, it should be a huge success: coupled with a decent fiscal policy, it should brighten up the picture," said Mr Papamarkakis.

In the domestic market, the Greek government issues bonds with maturities of up to seven years, but all bonds over one year pay floating interest rates pegged to 12-month Treasury bills. One-year Treasury bills currently yield 18¾ per cent, and seven-year notes pay 200 basis points above that, yielding 20¾ per cent.

Traders are divided over the yield pick-up Greek government debt should pay over supranational Marathons, with estimates ranging between 50 and 150 basis points. While some argue that the Greek government will always be able to repay drachma debt, and should not have to pay a risk premium over supranational borrowers, others point out that Spain has set a different precedent. "The average spread of new [government bonds] over Matadors was about 100-150 basis points," says one banker. Mr Kyriazides says: "The pick-up should not be more than around one point."

But while drachma bonds offer hefty returns, investors should also be aware of their risks.

For one, there is the drachma's creeping devaluation, which reflects the inflation differential between Greece and the European Union average. However, after weakening about 8 per cent against the D-Mark in 1993 and 10.2 per cent in 1992, the drachma is expected to decline less sharply this year as the inflation differential narrows further.

There is also some political risk as the presidential elections in May 1995 approach. If no two-thirds majority is found for any one candidate, new general elections must be held.

## NEW INTERNATIONAL BOND ISSUES

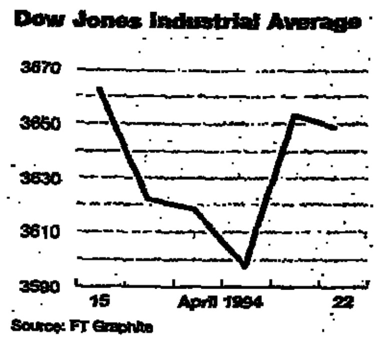
| Borrower | Amount m. | Maturity | Coupon % | Price | Yield % | Launch spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Union Européenne de CIC‡ | 200 | May.1997 | (a) | 99.88R | - | - | Kidder Peabody Intl. |
| Astra International | 125 | Apr.2001 | 9.75# | 99.90R | 9.770 | +300 (9%-01) | Chase Investment Bank |
| Dai-Ichi Kangyo Australia#‡ | 60 | May.2004 | (c) | 100.30R | - | - | DKB International |
| LTCB of Japan‡ | 50 | May.2004 | (b) | 101.00 | - | - | LTCB International |
| DKB Nederland‡ | 45 | May.2004 | (g) | 100.30R | - | - | DKB International |
| MBE Finance, Tranche A‡ | 30 | May.2004 | (m) | 100.225 | - | - | Mitsubishi Finance Intl. |
| MBE Finance, Tranche B‡ | 20 | May.2004 | (n) | 100.225 | - | - | Mitsubishi Finance Intl. |
| [illegible] | | | | | | | |
| **D-MARKS** | | | | | | | |
| [illegible] | | | | | | | |
| **YEN** | | | | | | | |
| [illegible] | | | | | | | |
| **STERLING** | | | | | | | |
| [illegible] | | | | | | | |
| **FRENCH FRANCS** | | | | | | | |
| [illegible] | | | | | | | |
| **CANADIAN DOLLARS** | | | | | | | |
| Kingdom of Sweden(k) | 200 | Dec.1999 | 8.25 | 99.82R | 8.355 | +28 (7¼%-99) | Daiwa Europe |
| **GUILDERS** | | | | | | | |
| Crédit Local de France | 350 | May.2004 | 6.75 | 98.575R | 6.952 | +30 (5¾%-04) | ABN Amro Bank |
| **ITALIAN LIRE** | | | | | | | |
| Toyota Motor Credit Corp. | 250bn | May.1999 | 8.375 | 101.657 | 7.960 | - | Deutsche Bank London |
| Abbey Natl.Treas.Serv.(j,r) | 150bn | Jan.2004 | 9.625 | 100.30 | - | - | [illegible] |
| [illegible] | | | | | | | |

[illegible]

# EQUITY MARKETS: This Week

## NEW YORK — Frank McGurty

# Bonds hold key to price endurance




Investors this morning are wondering if the market has finally established a floor to support share prices. If so, will it eventually provide a platform for a sustained upturn? The answers, as usual, may lie in bonds.

The direction which stocks took last week, in the days following Mr Alan Greenspan's Monday morning surprise, has encouraged a few more market observers to raise their heads above the parapet and look optimistically toward the horizon.

The big lift came Thursday, when news of IBM's robust first-quarter results inspired a 53-point blue-chip rally. The surge suggested a mild reaction to the Federal Reserve's third move to tighten money at the beginning of the week. A steady market on Friday reinforced that view.

In the short-term, Mr Gregory Nie, technical analyst at Kemper Securities in Chicago, sees good potential for a "limited upside" this week, with the Dow industrials possibly testing the 3,700 level if bonds continue to firm.

"My hunch is that we are at the beginnings of trading range that could easily take up the rest of the second quarter," says Mr Nie, although he cautions there is still evidence to suggest the correction in share prices is not over.

The key remains long-term interest rates, as reflected in the yield bid on the benchmark 30-year US Treasury bond. Mr Nie believes blue chips could move higher if the yield approaches the 7.00 per cent level. Late Friday, it was hovering near 7.22 per cent, down from 7.41 per cent at Monday's close.

Mr Hugh Johnson, chief investment strategist at First Albany, agrees rates will continue to rule, but he sees the likelihood of more volatility ahead.

"Where we go from here will depend very much on how the leading indicators of inflation play out of the next two weeks," he says. The direction of oil and industrial material prices and manufacturing data from the National Association of Purchasing Management due next week was particularly important.

"My guess is that we are likely to see more unsettling news," he says. "For that reason, the correction in stock prices is not over."

Mr Johnson says the issue is not whether the Fed will again raise rates, but how much it will need to do so before inflation expectations recede.

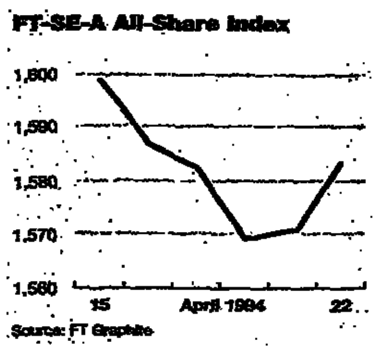
The issue is likely to shape Wall Street's reaction to this week's batch of corporate earnings, in particular results from General Motors.

Ms Mary Farrell, PaineWebber's market strategist, says IBM last week brought a change in psychology which allowed the market to refocus on corporate earnings, which have generally exceeded even the most optimistic forecasts

By contrast, Mr Johnson believes investors are too concerned about the impact of higher rates on future profitability to pay much attention to first-quarter news. "You simply cannot conclude as blandly as we once did that the earnings momentum will continue."

## LONDON — Terry Byland

# Fundamentals replace focus on rates cut




Relieved, at least to some extent, of its fixation with the chances of a cut in UK base rates, the London stock market is expected this week to reassess the investment fundamentals. The dramatic response to Lloyds Bank's acquisition of Cheltenham and Gloucester Building Society indicates the market's readiness to back companies regarded as making the right moves.

At a less dramatic level, fund managers are now expected to pay even closer attention to the flow of higher dividends appearing across the range of recovery sectors. Analysts' forecasts for growth in UK dividends range to around 10 per cent in each of the next two years.

Suggestions from UK Treasury sources that high dividend payouts starve industry of investment funding are addressed by S.G. Warburg, which says the level of profits retained by companies does not seem closely-linked to levels of investment activity.

The base rate debate shifted significantly last week with news of an unexpectedly good rise in March retail sales. The stock market believes a cut is now ruled out, on economic grounds at least, and that the Bank of England would strongly resist such a move. A politically-inspired rate-reduction can never be discounted entirely, but such a move would probably alarm the markets rather than encourage them.

The relaxation in near-term base rate tensions should also help the bond market, which will be good for equities as well as for the big securities houses carrying heavy losses in government stocks.

The renewed search for genuine investment value in UK equities covers the full range of both domestically and internationally-oriented sectors. With benefits from the UK's economic recovery already taken into share prices – Strauss Turnbull calculates that real equity returns have risen by about 55 per cent since the beginning of the upturn – analysts are measuring London market prospects in terms of economic recovery elsewhere in the world.

BZW believes the overseas earners will soon find welcome surprises from their European operations as Germany and France move to the recovery phase. However, "sensitivity to the Far East in the UK market is quite small – 7 per cent of total market turnover".

In its list of stocks with European exposure of 30 per cent or more, BZW highlights a number of well-known names. British Steel has already attracted attention as a stock with European earnings, but Guinness, Shell, De La Rue and Redland have perhaps not had their due.

Reviving confidence in the motor industry, stirred by a record quarter at Chrysler, global development plans by Ford and a recovery trend at Peugeot, has brought a focus on the UK vehicle distributors which, according to S.G. Warburg, face "the most profitable period ever experienced".

Car sales are already nearly 17 per cent up this year.

## OTHER MARKETS

### ZURICH

BK Vision, the investment fund and largest shareholder in UBS, will use a new provision of Swiss company law at Friday's annual meeting to propose that the bank cuts its board membership from 22 to a maximum of nine. It has also submitted a motion that would require the nomination of each UBS director to be put to a separate vote by shareholders.

Ascom, the troubled telecommunications company that in effect put itself up for sale last month, presents 1993 results today, with some analysts expecting a loss for the year of up to SFr300m.

Oerlikon-Bührle holds its annual news conference today and SBC has its annual shareholders' meeting tomorrow.

Nestlé is expected to outline first-quarter volume growth at its annual press conference on Wednesday, while Swissair will present 1993 figures on Thursday. CS Holding details 1993 results on Friday, when it will also declare its dividend for the year.

### FRANKFURT

A busy week is in store for the chemicals companies, which are reporting first-quarter net profits. UBS expects a 12 per cent rise at Hoechst tomorrow, a 14 per cent advance at Bayer on Wednesday, and a 34 per cent surge at BASF on Thursday. A 9 per cent dip in second-quarter net profit is expected from Siemens today. Mercedes-Benz and Varta Batterie have their annual news conferences tomorrow.

### COPENHAGEN

The Tele Danmark privatisation issue, worth up to $3bn, begins trading on Thursday. The stock exchange will remain open late to enable trading to take place simultaneously in Copenhagen and New York. The debut for shares in the Copenhagen airport privatisation offer earlier this month proved a disappointment to investors, when the issue fell to DKr291, compared with the DKr310 striking price.

### TOKYO

While the political situation has stabilised with the new government taking office today, many corporate and financial investors are still looking for selling opportunities to liquidate their portfolios around the 20,000 level. Dealers are also expected to try and square their positions ahead of the "Golden Week" holidays which start on Friday and share prices are expected fluctuate amid low volumes.

## RISK AND REWARD

# US tightening trips up certain FRN investors

Floating-rate notes are generally perceived to be low-risk investments, because their interest rates are adjusted in line with market rates at regular intervals. Over the years, though, several exotic variations, such as perpetual floating-rate notes in the 1980s, have proved more dangerous.

The perpetual FRN market collapsed in 1986. More recently, two other structures which caught investors' fancy have gone under water.

Although collared floating-rate notes and range floating-rate notes seemed like a good idea at the time, investors in both products misjudged the speed and the extent of the tightening in US interest rates.

Both collared and range FRNs are structured using embedded derivatives to allow investors to express a view on interest-rate movements. Unfortunately, both have gone badly astray, leaving investors holding illiquid paper which has depreciated, in some cases, by more than 10 per cent.

When the first collared FRNs were launched in 1992, the offer of dollar-denominated paper paying a minimum coupon of 5 per cent, at a time when Libor was a mere 3¼ per cent, appeared extremely attractive. The drawback was that in exchange for accepting a minimum coupon, or floor, of 5 per cent, investors also took a maximum coupon, or cap, of 10 per cent on early deals. Later, as investor appetite for the product grew, the cap was squeezed as low as 8 per cent on some deals.

Advocates of the market point out that prices have adjusted to reflect fair value in a different interest-rate environment, as the value of the floor declined, and that in the meantime investors have benefitted from a high coupon.

However, the problem is that investors' perceptions change when the market swings sharply. The bulk of the $23bn market in collared FRNs consists of bank paper, and much of it is subordinated. It also still has a long time to run, since much was launched with 10- or even 12-year maturities. "At the time, investors didn't really take note of the subordination. It's only now that people are starting to worry," said one syndicate manager.

With three-month Libor at 4¼ per cent, deals are still paying a margin over Libor – the floor of 5 per cent. However, some were priced to pay ⅛ point below Libor, and may still have 10 years to run. For 10-year subordinated bank paper, that no longer seems a good deal.

Prices on collared paper, launched at around par, have fallen to about 95 for the best names, and to about 85 for long-dated subordinated bank paper with lower caps.

Further, while many of the banks which arranged these deals say they are still making markets, other traders say the market has become illiquid.

Range FRNs have, if anything, fared worse. They have one advantage – most are short-dated, with one- to three-year maturities. Also, there were fewer of them – around $3bn since the start of the year.

The notes were structured to pay an attractive rate of interest when Libor was in an initial range of, say, 3-4 per cent. The problem is that, very quickly, Libor fell outside that range, as US rates rose.

"Effectively, they have become zero coupon bonds and they just don't trade any more," said one syndicate manager. "A lot of borrowers have bought back paper, for as as little as 90 [from an issue price of par], because investors just don't want to hold on to it."

Among the largest investors who bought them as a play on short-term interest rates were UK building societies, according to one dealer. While they may be feeling disgruntled, investors in collared and range FRNs should know by now that high coupons up-front are bound to entail greater risk.

**Tracy Corrigan**

### INDICES AT A GLANCE

| | Closing price | Percentage Change: Over week | On 12 months | Since Jan 1 | 12 month: High | | Low | | 1994: High | | Low | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3,183.70 | -1.1 | +8.8 | -8.3 | 3,520.30 | 2/2/94 | 2,786.30 | 6/5/93 | 3,520.30 | 2/2/94 | 3,086.40 | 31/3/94 |
| Dow Jones Ind. | 3,648.68 | -0.3 | +6.4 | -2.8 | 3,978.36 | 31/1/94 | 3,398.47 | 26/4/93 | 3,978.36 | 31/1/94 | 3,593.35 | 4/4/94 |
| Nikkei | 19,964.39 | -1.0 | +1.9 | +14.6 | 21,148.11 | 13/9/93 | 16,078.71 | 29/11/93 | 20,677.77 | 16/3/94 | 17,369.74 | 4/1/94 |
| Dax | 2,213.92 | +0.6 | +32.8 | -2.3 | 2,267.98 | 3/1/94 | 1,603.04 | 24/5/93 | 2,267.98 | 3/1/94 | 2,020.33 | 2/3/94 |
| CAC 40 | 2,135.17 | -1.1 | +9.8 | -5.9 | 2,355.93 | 2/2/94 | 1,835.72 | 17/5/93 | 2,355.93 | 2/2/94 | 2,061.94 | 31/3/94 |
| Banca Comm. Ital. | 777.28 | -2.9 | +47.1 | +25.5 | 800.50 | 12/4/94 | 508.01 | 16/6/93 | 800.50 | 12/4/94 | 588.85 | 10/1/94 |

Source: FT Graphite

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Apr 22 / Sch)

BELGIUM/LUXEMBOURG (Apr 22 / Frs.)

DENMARK (Apr 22 / Kr)

FINLAND (Apr 22 / Mks)

FRANCE (Apr 22 / Frs.)

GERMANY (Apr 22 / Dm.)

ITALY (Apr 22 / Lire)

NETHERLANDS (Apr 22 / Fls.)

NORWAY (Apr 22 / Kroner)

SPAIN (Apr 22 / Pts.)

SWEDEN (Apr 22 / Kronor)

SWITZERLAND (Apr 22 / Frs.)

## PACIFIC

JAPAN (Apr 22 / Yen)

HONG KONG (Apr 22 / H.K.$)

MALAYSIA (Apr 22 / M.$)

SINGAPORE (Apr 22 / S$)

AUSTRALIA (Apr 22 / Aust.$)

## NORTH AMERICA

CANADA

TORONTO (Apr 22 / Can $) 4 pm close

MONTREAL (Apr 22 / Can $) 4 pm close

## AFRICA

SOUTH AFRICA (Apr 22 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO – MOST ACTIVE STOCKS: Friday, April 22, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Sumitomo Coal | 7.0m | 951 | +19 | Hitachi | 3.5m | 965 | +10 |
| Pacific Metals | 6.6m | 430 | +57 | Nippon Paper | 3.0m | 650 | –1 |
| Nippon Steel | 4.8m | 342 | | Ishihara Sangyo | 2.9m | 431 | +8 |
| Asahi Optical | 3.8m | 560 | +15 | NEC | 2.9m | 1150 | +20 |
| M'bishi Heavy | 3.8m | 695 | –1 | Toshiba | 2.7m | 775 | –10 |

## INDICES

| | Apr 22 | Apr 21 | Apr 20 | 1994 High | | 1994 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | |
| General (29/12/77) | 18498.62 | 17896.21 | 17756.9 | 25470.49 | 16/2 | 17756.90 | 20/4 |
| **Australia** | | | | | | | |
| All Ordinaries(1/1/80) | 2042.5 | 2029.6 | 2046.6 | 2340.60 | 3/2 | 2029.60 | 21/4 |
| All Mining(1/1/80) | 949.3 | 937.7 | 956.3 | 1136.10 | 3/2 | 937.70 | 21/4 |
| **Austria** | | | | | | | |
| Credit Aktien(30/12/84) | 418.93 | 423.92 | 424.33 | 480.66 | 2/2 | 418.93 | 22/4 |
| Traded Index(2/1/91) | 1089.57 | 1105.31 | 1105.18 | 1222.25 | 1/2 | 1089.57 | 22/4 |
| **Belgium** | | | | | | | |
| BEL20 (1/1/91) | 1495.72 | 1476.45 | 1476.48 | 1542.65 | 9/2 | 1462.76 | 30/3 |
| **Brazil** | | | | | | | |
| Bovespa (29/12/83) | 14203.0 | (c) | 12836.0 | 16596.00 | 11/4 | 3600.90 | 3/1 |
| **Canada** | | | | | | | |
| Metals Mins♦(1975) | 3398.31 | 3388.15 | 3299.05 | 3879.59 | 18/3 | 3299.06 | 20/4 |
| Composite♦ (1975) | 4167.20 | 4167.20 | 4105.90 | 4608.90 | 23/3 | 4105.90 | 20/4 |
| Portfolio§§ (4/1/83) | 1941.99 | 1945.91 | 1918.66 | 2182.99 | 1/2 | 1913.37 | 19/4 |
| **Chile** | | | | | | | |
| IPGA Gen (31/12/80) | 4110.0 | 4081.0 | 4083.4 | 4867.80 | 4/2 | 3901.20 | 4/4 |
| **Denmark** | | | | | | | |
| CopenhagenSE(3/1/83) | 378.86 | 375.72 | 374.88 | 415.79 | 2/2 | 370.74 | 3/1 |
| **Finland** | | | | | | | |
| HEX General(28/12/90) | 1807.8 | 1783.0 | 1799.7 | 1972.00 | 4/2 | 1681.10 | 3/1 |
| **France** | | | | | | | |
| SBF 250 (31/12/90) | 1423.76 | 1402.99 | 1411.42 | 1585.20 | 2/2 | 1402.99 | 21/4 |
| CAC 40(31/12/87) | 2135.17 | 2091.95 | 2102.71 | 2355.93 | 2/2 | 2081.94 | 31/3 |
| **Germany** | | | | | | | |
| FAZ Aktien(31/12/58) | 841.64 | 830.41 | 833.82 | 855.67 | 4/1 | 778.33 | 2/3 |
| Commerzbank(1/12/53) | 2414.4 | 2379.0 | 2386.7 | 2458.09 | 4/1 | 2221.20 | 2/3 |
| DAX (30/12/87)‡ | 2213.92 | 2196.97 | 2182.64 | 2267.96 | 3/1 | 2020.33 | 2/3 |
| **Greece** | | | | | | | |
| Athens SE(31/12/80) | 970.25 | 976.04 | 976.30 | 1194.58 | 18/1 | 954.39 | 12/4 |
| **Hong Kong** | | | | | | | |
| Hang Seng(31/7/64) | 9156.85 | 8934.59 | 9221.01 | 12201.09 | 4/1 | 8667.03 | 21/3 |
| **India** | | | | | | | |
| BSE Sens.(1979) | 3609.7 | 3776.8 | (c) | 4287.98 | 28/2 | 3454.90 | 5/1 |
| **Indonesia** | | | | | | | |
| Jakarta Comp.(10/8/82) | 454.85 | 458.56 | 458.68 | 612.89 | 5/1 | 454.85 | 22/4 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 1843.79 | 1638.46 | 1640.86 | 2082.16 | 20/1 | 1801.05 | 5/4 |
| **Italy** | | | | | | | |
| Banca Comm Ital (1972) | 777.28 | 766.81 | 777.59 | 808.59 | 12/4 | 588.85 | 10/1 |
| MIB General (4/1/94) | 1253.0 | 1236.0 | 1254.0 | 1281.00 | 12/4 | 944.08 | 10/1 |
| **Japan** | | | | | | | |
| Nikkei 225 (16/5/49) | 19864.39 | 19799.36 | 19882.18 | 20677.77 | 18/3 | 17369.74 | 4/1 |
| Nikkei 300 (1/10/82) | 295.63 | 293.83 | 294.84 | 304.25 | 1/3 | 268.22 | 4/1 |
| Topix (4/1/68) | 1615.80 | 1607.50 | 1613.43 | 1663.27 | 18/3 | 1445.97 | 4/1 |
| 2nd Section (4/1/68) | 2280.82 | 2267.54 | 2269.63 | 2280.82 | 22/4 | 1873.33 | 4/1 |
| **Malaysia** | | | | | | | |
| KLSE Comp.(4/4/86) | 1038.87 | 1028.91 | 1039.65 | 1314.46 | 5/1 | 888.33 | 4/4 |
| **Mexico** | | | | | | | |
| IPC (Nov 1978) | (u) | 2075.32 | 1957.33 | 2881.17 | 8/2 | 1957.33 | 20/4 |
| **Netherland** | | | | | | | |
| CBS TtRtnGen(End 83) | 438.5 | 433.9 | 434.2 | 454.90 | 31/1 | 417.40 | 5/4 |
| CBS All Shr (End 83) | 284.0 | 280.9 | 281.2 | 294.80 | 31/1 | 268.80 | 31/3 |
| **New Zealand** | | | | | | | |
| Cap. 40 (1/7/86) | 2093.27 | 2084.95 | 2107.35 | 2439.64 | 3/2 | 2046.17 | 5/4 |
| **Norway** | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 1113.75 | 1103.56 | 1108.05 | 1211.10 | 28/2 | 1072.87 | 3/1 |
| **Philippines** | | | | | | | |
| Manila Comp (2/1/85) | 2788.16 | 2777.11 | 2846.82 | 3308.37 | 4/1 | 2567.33 | 9/3 |
| **Portugal** | | | | | | | |
| BTA (1977) | 3098.6 | 3117.1 | 3132.6 | 3226.60 | 18/2 | 2618.90 | 3/1 |
| **Singapore** | | | | | | | |
| SES All-S'pore(2/4/75) | 565.98 | 569.24 | 561.01 | 641.61 | 4/1 | 523.29 | 4/4 |
| **South Africa** | | | | | | | |
| JSE Gold (28/9/78) | 1841.0♥ | 1860.0 | 1883.0 | 2331.00 | 4/1 | 1749.09 | 14/2 |
| JSE Indl. (28/9/78) | 5983.0♥ | 5962.0 | 5960.0 | 6148.00 | 18/3 | 5448.00 | 19/1 |
| **South Korea** | | | | | | | |
| KoreaCompEx(4/1/80)" | 884.85 | 881.97 | 880.84 | 974.28 | 2/2 | 855.37 | 2/4 |
| **Spain** | | | | | | | |
| Madrid SE (30/12/85) | 318.96 | 311.12 | 309.73 | 358.31 | 31/1 | 309.73 | 20/4 |
| **Sweden** | | | | | | | |
| AffarsvardnGen (1/2/37) | 1461.9 | 1435.5 | 1440.8 | 1603.98 | 31/1 | 1403.80 | 31/3 |
| **Switzerland** | | | | | | | |
| Swiss Bk Ind (31/12/58) | 1330.44 | 1326.88 | 1338.44 | 1423.34 | 31/1 | 1280.64 | 2/3 |
| SBC General (1/4/87) | 981.63 | 978.76 | 989.03 | 1083.29 | 31/1 | 973.35 | 2/3 |
| **Taiwan** | | | | | | | |
| WeightedPr.(30/6/66)" | 5837.03 | 5741.47 | 5692.32 | 6454.52 | 6/1 | 5194.63 | 19/3 |
| **Thailand** | | | | | | | |
| Bangkok SET (30/4/75) | 1293.64 | 1280.09 | 1282.38 | 1753.73 | 4/1 | 1196.59 | 4/4 |
| **Turkey** | | | | | | | |
| Istanbul Cmp.(Jan 1986) | 18473.2 | 19428.3 | 20640.4 | 28883.60 | 13/1 | 12960.70 | 24/3 |
| **WORLD** | | | | | | | |
| MS Capital Int (1/1/70)§ | 609.4* | 606.3 | 603.7 | 641.00 | 1/2 | 531.80 | 4/4 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 1456.24 | 1436.73 | 1444.73 | 1540.19 | 31/1 | 1393.60 | 2/3 |
| Euro Top-100 (26/6/90) | 1257.69 | 1240.55† | 1240.72 | 1311.01 | 2/2 | 1202.49 | 3/3 |
| JCapelDrgns (31/12/88) | (u) | 305.75 | 312.18 | 385.19 | 5/1 | 290.28 | 21/3 |
| Barings Emerg.(7/1/92) | 143.56 | 141.85 | 144.77 | 182.72 | 14/2 | 141.65 | 21/4 |

■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Apr | 2125.0 | 2145.0 | +44.0 | 2145.0 | 2117.0 | 33,333 | 22,254 |
| May | 2122.5 | 2143.0 | +44.5 | 2144.0 | 2117.0 | 3,226 | 8,063 |
| Jun | 2105.0 | 2127.0 | +46.0 | 2127.0 | 2098.0 | 3,760 | 25,509 |

Open interest figures for previous day.

" Sat Apr 16: Taiwan Weighted Price 5585.81; Korea Comp Ex 893.76. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 22 – 2218.13 +23.72

## US INDICES

| Dow Jones | Apr 22 | Apr 21 | Apr 20 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3648.68 | 3652.54 | 3598.71 | 3978.36 (31/1) | 3593.35 (4/4) | 3978.36 (31/1/94) | 41.22 (2/7/32) |
| Home Bonds | 98.39 | 98.27 | 98.49 | 105.81 (21/1) | 98.27 (21/4) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1585.02 | 1583.54 | 1548.02 | 1862.29 (2/2) | 1548.82 (20/4) | 1862.29 (2/2/94) | 12.32 (8/7/32) |
| Utilities | 199.25 | 210.16 | 198.64 | 227.86 (3/1) | 192.89 (4/4) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 3690.32 (3673.98) Low 3621.01 (3582.94) (Theoretical♦)
Day's high 3663.84 (3652.84) Low 3640.94 (3598.71) (Actual♦)

| Standard and Poors | Apr 22 | Apr 21 | Apr 20 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 447.63 | 448.73 | 441.96 | 482.00 (2/2) | 438.92 (4/4) | 482.00 (2/2/94) | 4.40 (1/6/32) |
| Industrials♥ | 519.22 | 518.82 | 510.05 | 560.59 (2/2) | 510.05 (21/4) | 560.59 (2/2/94) | 3.62 (21/6/32) |
| Financial | 43.60 | 43.95 | 43.73 | 46.56 (31/1) | 41.39 (4/4) | 48.40 (28/9/93) | 8.64 (1/10/74) |
| NYSE Comp. | 247.95 | 248.18 | 244.66 | 267.71 (2/2) | 243.14 (4/4) | 267.71 (2/2/94) | 4.46 (25/4/42) |
| Amex Mkt Val | 433.31 | 431.13 | 427.60 | 487.89 (3/2) | 427.60 (20/4) | 487.89 (2/2/94) | 29.31 (9/12/72) |
| NASDAQ Cmp | 722.56 | 718.74 | 705.51 | 803.93 (18/3) | 705.51 (20/4) | 803.93 (18/3/94) | 54.87 (31/10/72) |

■ RATIOS

| | Apr 15 | Apr 8 | Mar 31 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.77 | 2.78 | 2.81 | 2.95 |
| | Apr 20 | Apr 13 | Apr 6 | Year ago |
| S & P Ind. Div. yield | 2.55 | 2.51 | 2.48 | 2.57 |
| S & P Ind. P/E ratio | 23.24 | 23.67 | 23.87 | 29.46 |

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

| | Open | Sett price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Jun | 449.40 | 448.00 | -1.35 | 450.10 | 447.00 | 86,562 | 189,986 |
| Sep | 451.60 | 450.10 | -1.30 | 452.05 | 449.10 | 1,197 | 8,996 |
| Dec | 453.70 | 452.60 | -1.45 | 454.70 | 451.90 | 308 | 5,640 |

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Telefonos | 5,942,500 | 57¾ | +2⅞ |
| IBM | 5,860,600 | 58¾ | +⅜ |
| Promus | 5,623,900 | 32 | -1⅝ |
| Unisys | 4,861,300 | 11½ | -2⅛ |
| Motorola | 3,742,900 | 46 | -⅛ |
| RJR Nabisco | 3,223,200 | 6⅜ | +⅛ |
| Chase Man | 2,958,200 | 33¾ | -1 |
| Merck | 2,819,800 | 31 | +⅛ |
| Chrysler | 2,801,800 | 48¾ | +¼ |
| SCE Corp | 2,703,300 | 15½ | -¼ |

■ TRADING ACTIVITY

| ● Volume (million) | Apr 22 | Apr 21 | Apr 20 |
|---|---|---|---|
| New York SE | 290.843 | 378.602 | 362.300 |
| Amex | 16.264 | 11.278 | 15.863 |
| NASDAQ | (u) | 341.228 | 335.340 |
| **NYSE** | | | |
| Issues Traded | 2,776 | 2,781 | 2,790 |
| Rises | 1,279 | 1,554 | 812 |
| Falls | 911 | 689 | 1,415 |
| Unchanged | 586 | 538 | 563 |
| New Highs | 15 | 13 | 5 |
| New Lows | 84 | 100 | 179 |

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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# FT MANAGED FUNDS SERVICE

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## AUTHORISED UNIT TRUSTS

| | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|---|
| AIB Unit Trust Managers Limited (1000)F | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| AXA Equity & Law Unit Tst Mngrs (1200)H | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Abbey Unit Tst Mngrs (1000)H | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Capel-Cure Myers UT Mngt Ltd - Contd. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Capital House Unit Tst Mgrs (1200)F | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Fidelity Investment Servs Ltd - Contd. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Fleming Private Fund Mngt Ltd (1200)F | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| HSBC Unit Trust Management Ltd (1200)F | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| THE FOOTSIE FUND | [illegible] | 51.80 | 51.88 | 54.88 | 2.19 | [illegible] |
| Lincoln National (1200)H | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Lloyds Bk Unit Tst Mngrs Ltd (1000)F | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Morgan Grenfell Invest Fds Ltd (1000)H | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Prolific Unit Tst Mngrs Ltd - Contd. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Scottish Amicable Ut Tst Mgrs Ltd (0730)H | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Scottish Equitable Fd Mgrs Ltd (1000)H | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Metropolitan Unit Trust Mngrs Ltd (1000)F | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Eurogrowth Plus | 6 | 114.75 | 116.05 | 123.48 | 0.67 | [illegible] |
| International Strategy | 6 | 66.01 | 66.62 | 70.91 | 0.07 | [illegible] |
| Sunrise Accum | 6 | 119.48 | 122.00 | 129.75 | 0.00 | [illegible] |
| UK Growth Acc | 6 | 80.76 | 81.56 | 86.77 | 1.64 | [illegible] |
| UK Income Acc | 5¼ | 105.13 | 105.42 | 110.82 | 4.62 | [illegible] |
| Do Income | 5¼ | 76.12 | 76.33 | 81.20 | 4.62 | [illegible] |
| Millennium Fund Management Ltd (1000)F | | | | | | |
| International | 5½ | 12.15 | 12.25 | 13.03 | – | [illegible] |
| Principal Unit Trust Mngmt Ltd (1600)F | | | | | | |
| Principal Tst | 5¼ | 134.00 | 135.40 | 144.05 | 1.73 | [illegible] |
| Prolific Unit Tst Mngrs Ltd (1100)F | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### Guide to pricing of Authorised Unit Trusts

*Compiled with the assistance of Lautro §§*

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

## OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

CAF - Charity Money Management

CIM Unit Trust Managers Ltd

## INSURANCES

Abbey National Life Plc

Aegon Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Century Life Plc

Equitable Life Assurance Society

Hill Samuel Life Assur. Ltd - Contd.

London Life - Contd.

NPI - Contd.

National Mutual Life

Provident Mutual Life Assc. Assn.

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Scottish Amicable - Contd.

Scottish Equitable plc

Sun Alliance Group - Contd.

## OFFSHORE INSURANCES

Royal Skandia Life Assurance Ltd (z)

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Lazard Freres Asset Management (CI) Ltd

## IRELAND (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Apollo Fund Plc

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

## JERSEY (REGULATED)(**)

# FT MANAGED FUNDS SERVICE

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Lombard Odier - Contd.

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

# CURRENCIES AND MONEY

## POUND SPOT FORWARD AGAINST THE POUND

| Apr 22 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 17.6871 | -0.0826 | 804 - 938 | 17.7571 | 17.6754 | 17.6833 | 0.3 | 17.6777 | 0.2 | - | - | 113.5 |
| Belgium | (BFr) | 51.7915 | -0.2121 | 612 - 217 | 51.8509 | 51.6873 | 51.8165 | -0.6 | 51.8665 | -0.6 | 51.9415 | -0.3 | 114.7 |
| Denmark | (DKr) | 9.8746 | -0.0369 | 714 - 777 | 9.8976 | 9.8571 | 9.8848 | -1.2 | 9.8981 | -0.9 | 9.9078 | -0.3 | 114.3 |
| Finland | (FM) | 8.1578 | -0.0346 | 485 - 671 | 8.1810 | 8.1390 | - | - | - | - | - | - | 81.8 |
| France | (FFr) | 8.6256 | -0.0334 | 234 - 278 | 8.6513 | 8.6101 | 8.6318 | -0.8 | 8.6412 | -0.7 | 8.6326 | -0.1 | 107.1 |
| Germany | (DM) | 2.5170 | -0.01 | 160 - 179 | 2.5270 | 2.5119 | 2.5176 | -0.3 | 2.5181 | -0.2 | 2.5064 | 0.4 | 122.8 |
| Greece | (Dr) | 369.011 | -0.786 | 726 - 295 | 369.788 | 367.948 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0287 | -0.0027 | 278 - 295 | 1.0332 | 1.0252 | 1.0298 | -1.0 | 1.0314 | -1.0 | 1.0367 | -0.8 | 103.5 |
| Italy | (L) | 2408.34 | -13.79 | 719 - 948 | 2416.54 | 2404.30 | 2414.38 | -3.0 | 2424.29 | -2.6 | 2461.39 | -2.2 | 78.1 |
| Luxembourg | (LFr) | 51.7915 | -0.2121 | 612 - 217 | 51.8509 | 51.6873 | 51.8165 | -0.6 | 51.8665 | -0.6 | 51.9415 | -0.3 | 114.7 |
| Netherlands | (Fl) | 2.8285 | -0.0118 | 273 - 297 | 2.8375 | 2.8243 | 2.8291 | -0.3 | 2.8301 | -0.2 | 2.8202 | 0.3 | 118.0 |
| Norway | (NKr) | 10.9190 | -0.0462 | 156 - 223 | 10.9544 | 10.8985 | 10.9133 | 0.6 | 10.9259 | -0.3 | 10.917 | 0.0 | 84.7 |
| Portugal | (Es) | 257.691 | -0.516 | 573 - 809 | 258.168 | 256.765 | 258.668 | -4.5 | 260.611 | -4.5 | - | - | - |
| Spain | (Pta) | 204.853 | -0.919 | 707 - 999 | 205.295 | 204.608 | 205.343 | -2.9 | 206.318 | -2.9 | 209.093 | -2.1 | 85.8 |
| Sweden | (SKr) | 11.7192 | -0.0819 | 116 - 267 | 11.7735 | 11.6928 | 11.7402 | -2.2 | 11.7762 | -1.9 | 11.8852 | -1.5 | 76.4 |
| Switzerland | (SFr) | 2.1354 | -0.0089 | 347 - 361 | 2.1426 | 2.1332 | 2.1334 | 1.1 | 2.1294 | 1.1 | 2.102 | 1.6 | 117.3 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 80.0 |
| Ecu | - | 1.3023 | -0.0042 | 018 - 028 | 1.3057 | 1.2996 | 1.3032 | -0.8 | 1.3048 | -0.8 | 1.3047 | -0.2 | - |
| SDR† | - | 0.942607 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.4855 | -0.0113 | 851 - 858 | 1.4927 | 1.4848 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 1770.15 | +19.29 | 984 - 045 | 1776.00 | 1736.00 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.0475 | -0.0228 | 468 - 482 | 2.0558 | 2.0453 | 2.0484 | -0.6 | 2.0517 | -0.8 | 2.0711 | -1.2 | 87.3 |
| Mexico | (New Peso) | 5.0009 | -0.0389 | 963 - 054 | 5.0217 | 4.9960 | - | - | - | - | - | - | - |
| USA | ($) | 1.4853 | -0.0116 | 850 - 855 | 1.4926 | 1.4845 | 1.4837 | 1.3 | 1.4815 | 1.0 | 1.4778 | 0.5 | 66.0 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.0668 | -0.0339 | 654 - 681 | 2.0833 | 2.0649 | 2.0653 | 0.9 | 2.0629 | 0.7 | 2.061 | 0.3 | - |
| Hong Kong | (HK$) | 11.4776 | -0.0883 | 748 - 802 | 11.5326 | 11.4715 | 11.4646 | 1.4 | 11.4591 | 0.6 | 11.4101 | 0.6 | - |
| India | (Rs) | 46.5923 | -0.362 | 807 - 038 | 46.8150 | 46.5720 | - | - | - | - | - | - | - |
| Japan | (Y) | 153.946 | -1.046 | 848 - 046 | 155.030 | 153.840 | 153.571 | 2.9 | 152.821 | 2.9 | 149.406 | 2.9 | 188.0 |
| Malaysia | (M$) | 3.9956 | -0.0294 | 942 - 970 | 4.0129 | 3.9936 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.5928 | -0.0465 | 907 - 948 | 2.6078 | 2.5907 | 2.5957 | -1.3 | 2.6 | -1.1 | 2.6066 | -0.6 | - |
| Philippines | (Peso) | 40.8964 | -0.3195 | 667 - 261 | 41.4500 | 40.6657 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.5700 | -0.0437 | 688 - 711 | 5.5974 | 5.5675 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3167 | -0.0178 | 156 - 178 | 2.3270 | 2.3153 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.3681 | -0.015 | 660 - 701 | 5.5974 | 5.3573 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 7.2109 | -0.1536 | 023 - 195 | 7.3361 | 7.1793 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1198.68 | -9.65 | 840 - 895 | 1204.83 | 1198.14 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 39.2404 | -0.254 | 595 - 212 | 39.3700 | 39.1575 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 37.5175 | -0.248 | 953 - 396 | 37.5480 | 37.4960 | - | - | - | - | - | - | - |

†SDR rate for Apr 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Apr 22 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.9085 | +0.037 | 060 - 110 | 11.9180 | 11.8925 | 11.929 | -2.1 | 11.956 | -1.6 | 11.9672 | -0.5 | 102.7 |
| Belgium | (BFr) | 34.8705 | +0.1285 | 560 - 850 | 34.8850 | 34.7400 | 34.9255 | -1.9 | 35.0105 | -1.6 | 35.0755 | -0.6 | 104.1 |
| Denmark | (DKr) | 6.6484 | +0.0258 | 474 - 494 | 6.6513 | 6.6219 | 6.6641 | -2.8 | 6.6888 | -2.4 | 6.7314 | -1.2 | 103.1 |
| Finland | (FM) | 5.4926 | +0.0195 | 872 - 979 | 5.4990 | 5.4695 | 5.4994 | -1.5 | 5.5071 | -1.1 | 5.5189 | -0.5 | 78.5 |
| France | (FFr) | 5.8075 | +0.0227 | 070 - 080 | 5.8100 | 5.7855 | 5.8178 | -2.1 | 5.8327 | -1.7 | 5.8417 | -0.6 | 103.5 |
| Germany | (D) | 1.6947 | +0.0065 | 943 - 950 | 1.6961 | 1.6878 | 1.697 | -1.6 | 1.6997 | -1.2 | 1.6961 | -0.1 | 104.2 |
| Greece | (Dr) | 248.450 | +1.4 | 300 - 600 | 248.600 | 247.500 | 251.75 | -15.9 | 259.2 | -17.3 | 286.7 | -15.4 | 70.2 |
| Ireland | (I£) | 1.4439 | -0.0074 | 429 - 449 | 1.4517 | 1.4405 | 1.4411 | 2.4 | 1.4359 | 2.2 | 1.4239 | 1.4 | - |
| Italy | (L) | 1621.50 | +3.35 | 100 - 200 | 1622.00 | 1616.25 | 1626.95 | -4.0 | 1636.5 | -3.7 | 1664.5 | -2.7 | 78.6 |
| Luxembourg | (LFr) | 34.8705 | +0.1285 | 560 - 850 | 34.8850 | 34.7400 | 34.9255 | -1.9 | 35.0105 | -1.6 | 35.0755 | -0.6 | 104.1 |
| Netherlands | (Fl) | 1.9044 | +0.0069 | 039 - 049 | 1.9061 | 1.8975 | 1.9066 | -1.4 | 1.9094 | -1.1 | 1.9059 | -0.1 | 103.4 |
| Norway | (NKr) | 7.3516 | +0.0261 | 506 - 526 | 7.3549 | 7.3241 | 7.3643 | -2.1 | 7.3876 | -2.0 | 7.4286 | -1.0 | 94.7 |
| Portugal | (Es) | 173.500 | +1 | 450 - 550 | 173.550 | 172.850 | 175.05 | -10.7 | 176.9 | -7.8 | 182.25 | -5.0 | 93.2 |
| Spain | (Pta) | 137.925 | +0.455 | 850 - 000 | 138.000 | 137.560 | 138.41 | -4.2 | 139.22 | -3.8 | 143.59 | -4.1 | 80.7 |
| Sweden | (SKr) | 7.8904 | +0.0064 | 865 - 941 | 7.9058 | 7.8665 | 7.9154 | -3.8 | 7.9582 | -3.4 | 8.0814 | -2.4 | 81.8 |
| Switzerland | (SFr) | 1.4378 | +0.0053 | 375 - 380 | 1.4390 | 1.4332 | 1.4382 | -0.3 | 1.4377 | 0.0 | 1.4231 | 1.0 | 103.7 |
| UK | (£) | 1.4853 | -0.0116 | 850 - 855 | 1.4926 | 1.4845 | 1.4837 | 1.3 | 1.4815 | 1.0 | 1.4778 | 0.5 | 89.2 |
| Ecu | - | 1.1405 | -0.0052 | 402 - 407 | 1.1448 | 1.1397 | 1.1384 | 2.2 | 1.1354 | 1.8 | 1.1326 | 0.7 | - |
| SDR† | - | 1.40946 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.0002 | +0.0002 | 001 - 002 | 1.0002 | 0.9999 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 1191.82 | +22.12 | 181 - 182 | 1191.83 | 1191.81 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3786 | -0.0045 | 783 - 788 | 1.3805 | 1.3760 | 1.3807 | -1.8 | 1.3848 | -1.8 | 1.3996 | -1.5 | 83.5 |
| Mexico | (New Peso) | 3.3670 | +0.0001 | 645 - 695 | 3.3695 | 3.3645 | 3.368 | -0.4 | 3.3698 | -0.3 | 3.3772 | -0.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 100.7 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3915 | -0.0119 | 908 - 922 | 1.3959 | 1.3897 | 1.3927 | -1.1 | 1.3974 | -1.7 | 1.408 | -1.2 | 87.1 |
| Hong Kong | (HK$) | 7.7277 | +0.0009 | 272 - 282 | 7.7282 | 7.7263 | 7.7307 | -0.5 | 7.7367 | -0.5 | 7.7614 | -0.4 | - |
| India | (Rs) | 31.3700 | +0.0012 | 675 - 725 | 31.3725 | 31.3675 | 31.435 | -2.5 | 31.57 | -2.6 | - | - | - |
| Japan | (Y) | 103.650 | +0.105 | 600 - 700 | 104.030 | 103.470 | 103.515 | 1.6 | 103.155 | 1.9 | 101.085 | 2.5 | 145.4 |
| Malaysia | (M$) | 2.6902 | +0.0012 | 897 - 907 | 2.6901 | 2.6855 | 2.6832 | 3.1 | 2.6677 | 3.3 | 2.7302 | -1.5 | - |
| New Zealand | (NZ$) | 1.7454 | -0.0178 | 446 - 462 | 1.7476 | 1.7406 | 1.7466 | -0.9 | 1.7511 | -1.3 | 1.773 | -1.6 | - |
| Philippines | (Peso) | 27.5350 | - | 850 - 850 | 27.6850 | 27.3800 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7502 | -0.0002 | 500 - 503 | 3.7503 | 3.7500 | 3.7509 | -0.2 | 3.7532 | -0.3 | 3.7647 | -0.4 | - |
| Singapore | (S$) | 1.5598 | +0.0003 | 593 - 603 | 1.5603 | 1.5595 | 1.5592 | 0.5 | 1.5587 | 0.3 | 1.5573 | 0.2 | - |
| S Africa (Com.) | (R) | 3.6143 | +0.018 | 135 - 150 | 3.6150 | 3.5990 | 3.6308 | -5.5 | 3.6568 | -4.7 | 3.7498 | -3.7 | - |
| S Africa (Fin.) | (R) | 4.8550 | -0.085 | 500 - 600 | 4.8700 | 4.8183 | 4.889 | -8.4 | 4.949 | -7.7 | - | - | - |
| South Korea | (Won) | 807.050 | -0.2 | 000 - 100 | 807.200 | 806.900 | 810.05 | -4.5 | 813.55 | -3.2 | 832.05 | -3.1 | - |
| Taiwan | (T$) | 26.4200 | +0.035 | 700 - 700 | 26.4700 | 26.3700 | 26.4855 | -3.0 | 26.586 | -2.5 | - | - | - |
| Thailand | (Bt) | 25.2600 | +0.03 | 500 - 700 | 25.2700 | 25.2500 | 25.34 | -3.8 | 25.485 | -3.2 | 25.985 | -2.9 | - |

†SDR rate for Apr 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Apr 21. Base average 1990=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Apr 22 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.07 | 16.65 | 4.860 | 1.985 | 4650 | 5.461 | 21.08 | 497.6 | 395.4 | 22.63 | 4.122 | 1.931 | 3.954 | 2.867 | 297.2 | 2.514 |
| Denmark | (DKr) | 52.45 | 10 | 8.734 | 2.549 | 1.041 | 2438 | 2.864 | 11.06 | 261.0 | 207.4 | 11.87 | 2.162 | 1.013 | 2.074 | 1.504 | 155.8 | 1.318 |
| France | (FFr) | 60.05 | 11.45 | 10 | 2.918 | 1.192 | 2792 | 3.279 | 12.66 | 298.8 | 237.4 | 13.59 | 2.475 | 1.159 | 2.374 | 1.722 | 178.4 | 1.510 |
| Germany | (DM) | 20.58 | 3.923 | 3.427 | 1 | 0.408 | 956.7 | 1.124 | 4.338 | 102.4 | 81.37 | 4.656 | 0.848 | 0.397 | 0.814 | 0.590 | 61.14 | 0.517 |
| Ireland | (I£) | 50.38 | 9.606 | 8.390 | 2.448 | 1 | 2342 | 2.751 | 10.62 | 250.7 | 199.2 | 11.40 | 2.077 | 0.973 | 1.992 | 1.445 | 149.7 | 1.267 |
| Italy | (L) | 2.151 | 0.410 | 0.358 | 0.105 | 0.043 | 100. | 0.117 | 0.453 | 10.70 | 8.505 | 0.487 | 0.089 | 0.042 | 0.085 | 0.062 | 6.391 | 0.054 |
| Netherlands | (Fl) | 18.31 | 3.492 | 3.050 | 0.890 | 0.364 | 851.5 | 1 | 3.861 | 91.12 | 72.42 | 4.144 | 0.755 | 0.354 | 0.724 | 0.525 | 54.42 | 0.460 |
| Norway | (NKr) | 47.43 | 9.043 | 7.898 | 2.305 | 0.941 | 2205 | 2.590 | 10 | 236.0 | 187.5 | 10.73 | 1.955 | 0.916 | 1.875 | 1.360 | 140.9 | 1.192 |
| Portugal | (Es) | 20.10 | 3.832 | 3.347 | 0.977 | 0.399 | 934.4 | 1.097 | 4.237 | 100. | 79.47 | 4.548 | 0.828 | 0.388 | 0.795 | 0.576 | 59.72 | 0.505 |
| Spain | (Pta) | 25.29 | 4.822 | 4.211 | 1.229 | 0.502 | 1176 | 1.381 | 5.332 | 125.8 | 100. | 5.723 | 1.042 | 0.488 | 1.000 | 0.725 | 75.15 | 0.636 |
| Sweden | (SKr) | 44.19 | 8.426 | 7.359 | 2.148 | 0.877 | 2055 | 2.413 | 9.317 | 219.9 | 174.7 | 10 | 1.822 | 0.853 | 1.747 | 1.267 | 131.3 | 1.111 |
| Switzerland | (SFr) | 24.26 | 4.625 | 4.040 | 1.179 | 0.481 | 1128 | 1.325 | 5.115 | 120.7 | 95.93 | 5.489 | 1 | 0.468 | 0.959 | 0.696 | 72.08 | 0.610 |
| UK | (£) | 51.79 | 9.875 | 8.625 | 2.517 | 1.028 | 2408 | 2.828 | 10.92 | 257.7 | 204.8 | 11.72 | 2.135 | 1 | 2.048 | 1.485 | 153.9 | 1.302 |
| Canada | (C$) | 25.29 | 4.822 | 4.211 | 1.229 | 0.502 | 1176 | 1.381 | 5.332 | 125.8 | 100.0 | 5.723 | 1.042 | 0.488 | 1 | 0.725 | 75.15 | 0.636 |
| US | ($) | 34.88 | 6.650 | 5.808 | 1.695 | 0.692 | 1622 | 1.904 | 7.354 | 173.5 | 137.9 | 7.892 | 1.438 | 0.673 | 1.379 | 1 | 103.6 | 0.877 |
| Japan | (Y) | 336.5 | 64.17 | 56.04 | 16.35 | 6.680 | 15647 | 18.38 | 70.96 | 1674 | 1331 | 76.15 | 13.87 | 6.498 | 13.31 | 9.649 | 1000. | 8.460 |
| Ecu | | 39.78 | 7.584 | 6.624 | 1.933 | 0.790 | 1849 | 2.172 | 8.387 | 197.9 | 157.3 | 9.002 | 1.640 | 0.768 | 1.573 | 1.141 | 118.2 | 1 |

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

### D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Sett price | Change | High | Low | Est.vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.5902 | 0.5906 | +0.0005 | 0.5914 | 0.5882 | 46,244 | 98,630 |
| Sep | 0.5905 | 0.5898 | +0.0005 | 0.5905 | 0.5875 | 213 | 3,169 |
| Dec | - | 0.5898 | +0.0005 | 0.5900 | 0.5883 | 2 | 138 |

### SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Sett price | Change | High | Low | Est.vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.6974 | 0.6968 | -0.0002 | 0.6981 | 0.6944 | 19,072 | 37,393 |
| Sep | 0.6985 | 0.6983 | -0.0002 | 0.6990 | 0.6966 | 23 | 369 |
| Dec | - | 0.7010 | -0.0002 | - | - | 7 | 337 |

### JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Sett price | Change | High | Low | Est.vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.9675 | 0.9713 | +0.0032 | 0.9717 | 0.9632 | 33,329 | 54,366 |
| Sep | 0.9700 | 0.9771 | +0.0032 | 0.9775 | 0.9695 | 319 | 2,667 |
| Dec | - | 0.9835 | +0.0032 | 0.9835 | 0.9829 | 9 | 661 |

### STERLING FUTURES (IMM) £62,500 per £

| | Open | Sett price | Change | High | Low | Est.vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 1.4886 | 1.4864 | -0.0028 | 1.4900 | 1.4824 | 19,058 | 40,587 |
| Sep | 1.4840 | 1.4838 | -0.0028 | 1.4846 | 1.4790 | 72 | 982 |
| Dec | - | 1.4826 | -0.0028 | - | - | 3 | 34 |

### PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS May | CALLS Jun | CALLS Jul | PUTS May | PUTS Jun | PUTS Jul |
|---|---|---|---|---|---|---|
| 1.400 | 8.60 | 8.50 | 8.54 | - | - | 0.19 |
| 1.425 | 6.17 | 6.19 | 6.42 | - | 0.13 | 0.50 |
| 1.450 | 3.77 | 4.05 | 4.50 | 0.08 | 0.48 | 1.05 |
| 1.475 | 1.77 | 2.35 | 2.91 | 0.50 | 1.21 | 1.94 |
| 1.500 | 0.52 | 1.15 | 1.78 | 1.74 | 2.49 | 3.18 |
| 1.525 | 0.07 | 0.47 | 0.99 | 3.74 | 4.25 | 4.86 |

Previous day's vol., Calls 16,767 Puts 27,244 . Prev. day's open int., Calls 495,167 Puts 441,693

## UK INTEREST RATES

### LONDON MONEY RATES

| Apr 22 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | $4\frac{7}{8}$ - 4 | $5\frac{1}{4}$ - $4\frac{3}{4}$ | $5\frac{1}{8}$ - 5 | $5\frac{1}{4}$ - $5\frac{1}{8}$ | $5\frac{7}{16}$ - $5\frac{5}{16}$ | $6\frac{13}{16}$ - $5\frac{11}{16}$ |
| Sterling CDs | - | - | $5\frac{3}{32}$ - $5\frac{1}{32}$ | $5\frac{1}{8}$ - $5\frac{1}{16}$ | $5\frac{5}{16}$ - $5\frac{1}{4}$ | $5\frac{13}{16}$ - $5\frac{7}{16}$ |
| Treasury Bills | - | - | $4\frac{15}{16}$ - $4\frac{7}{8}$ | 5 - $4\frac{15}{16}$ | - | - |
| Bank Bills | - | - | $4\frac{15}{16}$ - $4\frac{7}{8}$ | 5 - $4\frac{15}{16}$ | $5\frac{3}{16}$ - $5\frac{1}{8}$ | - |
| Local authority deps. | $5\frac{1}{16}$ - $4\frac{15}{16}$ | $5\frac{1}{16}$ - $4\frac{15}{16}$ | $5\frac{1}{16}$ - $4\frac{15}{16}$ | $5\frac{3}{16}$ - $5\frac{1}{16}$ | $5\frac{1}{4}$ - $5\frac{1}{8}$ | $5\frac{9}{16}$ - $5\frac{7}{16}$ |
| Discount Market Deps | $4\frac{1}{4}$ - $3\frac{3}{8}$ | $4\frac{15}{16}$ - $4\frac{7}{8}$ | - | - | - | - |

UK clearing bank base lending rate $5\frac{1}{4}$ per cent from February 8, 1994

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | $1\frac{1}{2}$ | 4 | $3\frac{1}{4}$ | $3\frac{3}{4}$ | $3\frac{1}{2}$ |

Certs of Tax dep. under £100,000 is $1\frac{1}{2}$pc. Deposits withdrawn for cash $\frac{1}{4}$pc.
Ave. tender rate of discount 4.8610pc. ECGD fixed rate Stg. Export Finance. Make up day March 31, 1994. Agreed rate for period Apr 26, 1994 to May 24, 1994, Schemes II & III 6.47pc. Reference rate for period Mar 1, 1994 to Mar 31, 1994, Schemes IV & V 5.214pc. Finance House Base Rate $5\frac{1}{2}$pc from Apr 1, 1994

### BANK OF ENGLAND TREASURY BILL TENDER

| | Apr 22 | Apr 15 | | Apr 22 | Apr 15 |
|---|---|---|---|---|---|
| Bills on offer | £200m | £200m | Top accepted rate | 4.8734% | 4.8734% |
| Total of applications | £922m | £930m | Ave. rate of discount | 4.8878% | 4.8610% |
| Total allocated | £200m | £200m | Average yield | 4.9271% | 4.9208% |
| Min. accepted bid | £98.785 | £98.785 | Offer at next tender | £400m | £200m |
| Allotment at min. level | 35% | 82% | Min. accept. bid 182 days | - | - |

**FT GUIDE to WORLD CURRENCIES**

The FT Guide to World Currencies table can be found on the Emerging Markets page of today's edition.

### Pound in New York

| Apr 22 | Close | Prev. close |
|---|---|---|
| £ spot | 1.4885 | 1.4910 |
| 1 mth | 1.4879 | 1.4894 |
| 3 mth | 1.4867 | 1.4872 |
| 1 yr | 1.4815 | 1.4832 |

## FIXED INTEREST RATES

### MONEY RATES

| April 22 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | - | $6\frac{1}{2}$ | $5\frac{7}{8}$ | $5\frac{7}{8}$ | $5\frac{13}{16}$ | 7.40 | 4.75 | - |
| week ago | - | $5\frac{7}{8}$ | $5\frac{7}{8}$ | $5\frac{7}{8}$ | $5\frac{7}{8}$ | 7.40 | 4.75 | - |
| France | 6 | $6\frac{1}{16}$ | $5\frac{7}{8}$ | $5\frac{7}{8}$ | $5\frac{3}{4}$ | 5.80 | - | 7.75 |
| week ago | $6\frac{1}{4}$ | $6\frac{1}{16}$ | 6 | $5\frac{7}{8}$ | $5\frac{3}{4}$ | 5.90 | - | 7.75 |
| Germany | 5.28 | 5.50 | 5.40 | 5.30 | 5.25 | 6.50 | 5.00 | 5.70 |
| week ago | 5.58 | 5.50 | 5.50 | 5.45 | 5.30 | 6.50 | 5.00 | 5.70 |
| Ireland | 8 | 6 | $6\frac{1}{4}$ | $6\frac{3}{8}$ | $6\frac{3}{4}$ | - | - | 6.50 |
| week ago | 8 | 6 | $6\frac{1}{4}$ | $6\frac{3}{8}$ | $6\frac{3}{4}$ | - | - | 6.50 |
| Italy | $8\frac{1}{4}$ | $7\frac{7}{8}$ | $7\frac{7}{8}$ | 8 | $8\frac{1}{4}$ | - | 8.00 | 8.27 |
| week ago | $8\frac{1}{8}$ | $7\frac{7}{8}$ | $7\frac{7}{8}$ | $7\frac{7}{8}$ | $7\frac{7}{8}$ | - | 8.00 | 8.27 |
| Netherlands | 5.40 | 5.36 | 5.26 | 5.27 | 5.25 | - | 5.25 | - |
| week ago | 5.53 | 5.36 | 5.27 | 5.25 | 5.25 | - | 5.25 | - |
| Switzerland | 4 | $4\frac{1}{8}$ | $4\frac{1}{8}$ | $4\frac{1}{8}$ | $4\frac{1}{4}$ | 6.625 | 3.50 | - |
| week ago | $4\frac{1}{4}$ | $4\frac{1}{8}$ | 4 | 4 | 4 | 6.625 | 3.50 | - |
| US | $3\frac{3}{4}$ | $3\frac{3}{4}$ | $4\frac{1}{8}$ | $4\frac{5}{8}$ | $5\frac{1}{8}$ | - | 3.00 | - |
| week ago | $3\frac{1}{2}$ | $3\frac{3}{4}$ | 4 | $4\frac{1}{2}$ | 5 | - | 3.00 | - |
| Japan | $2\frac{1}{8}$ | $2\frac{1}{4}$ | $2\frac{1}{4}$ | $2\frac{1}{4}$ | $2\frac{3}{8}$ | - | 1.75 | - |
| week ago | $2\frac{1}{8}$ | $2\frac{1}{4}$ | $2\frac{1}{4}$ | $2\frac{3}{8}$ | $2\frac{3}{8}$ | - | 1.75 | - |
| **$ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | $3\frac{5}{8}$ | $4\frac{1}{4}$ | $4\frac{3}{4}$ | $5\frac{1}{4}$ | - | - | - |
| week ago | - | $3\frac{5}{8}$ | $4\frac{1}{8}$ | $4\frac{5}{8}$ | $5\frac{1}{8}$ | - | - | - |
| US Dollar CDs | - | 3.75 | 4.01 | 4.35 | 4.94 | - | - | - |
| week ago | - | 3.75 | 3.87 | 4.22 | 4.84 | - | - | - |
| SDR Linked Ds | - | $3\frac{3}{8}$ | $3\frac{3}{8}$ | $3\frac{3}{4}$ | 4 | - | - | - |
| week ago | - | $3\frac{3}{8}$ | $3\frac{3}{8}$ | $3\frac{3}{4}$ | 4 | - | - | - |

ECU Linked Ds mid rates: 1 mth: $6\frac{1}{4}$; 3 mths: 6 ; 6 mths: $5\frac{7}{8}$; 1 year: $5\frac{7}{8}$. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Apr 22 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | $5\frac{13}{16}$ - $5\frac{11}{16}$ | $6\frac{13}{16}$ - $6\frac{11}{16}$ | $5\frac{13}{16}$ - $5\frac{11}{16}$ | $5\frac{13}{16}$ - $5\frac{11}{16}$ | $5\frac{13}{16}$ - $5\frac{11}{16}$ | $5\frac{13}{16}$ - $5\frac{11}{16}$ |
| Danish Krone | $6\frac{1}{4}$ - $5\frac{3}{4}$ | $6\frac{1}{4}$ - $5\frac{3}{4}$ | $6\frac{1}{8}$ - $5\frac{13}{16}$ | $6\frac{1}{4}$ - $5\frac{15}{16}$ | $6\frac{1}{16}$ - $5\frac{13}{16}$ | $6\frac{1}{8}$ - $5\frac{13}{16}$ |
| D-Mark | $5\frac{7}{16}$ - $5\frac{5}{16}$ | $5\frac{1}{2}$ - $5\frac{3}{8}$ | $5\frac{1}{2}$ - $5\frac{3}{8}$ | $5\frac{7}{16}$ - $5\frac{5}{16}$ | $5\frac{3}{8}$ - $5\frac{1}{4}$ | $5\frac{3}{8}$ - $5\frac{1}{4}$ |
| Dutch Guilder | $5\frac{3}{8}$ - $5\frac{1}{4}$ | $5\frac{3}{8}$ - $5\frac{1}{4}$ | $5\frac{5}{16}$ - $5\frac{1}{4}$ | $5\frac{3}{8}$ - $5\frac{3}{16}$ | $5\frac{1}{4}$ - $5\frac{3}{16}$ | $5\frac{1}{4}$ - $5\frac{3}{16}$ |
| French Franc | $6\frac{1}{16}$ - $5\frac{15}{16}$ | $6\frac{1}{16}$ - $5\frac{15}{16}$ | 6 - $5\frac{7}{8}$ | $5\frac{15}{16}$ - $5\frac{13}{16}$ | $5\frac{7}{8}$ - $5\frac{3}{4}$ | $5\frac{7}{8}$ - $5\frac{3}{4}$ |
| Portuguese Esc. | $11\frac{3}{4}$ - $11\frac{3}{8}$ | $12\frac{1}{4}$ - $11\frac{7}{8}$ | $12\frac{1}{2}$ - $12\frac{1}{4}$ | $11\frac{1}{2}$ - 11 | 11 - $10\frac{1}{4}$ | $10\frac{3}{8}$ - $9\frac{3}{4}$ |
| Spanish Peseta | $8\frac{1}{16}$ - $7\frac{7}{8}$ | $8\frac{1}{16}$ - $7\frac{7}{8}$ | 8 - $7\frac{13}{16}$ | $7\frac{15}{16}$ - $7\frac{3}{4}$ | $7\frac{7}{8}$ - $7\frac{5}{8}$ | $7\frac{7}{8}$ - $7\frac{5}{8}$ |
| Sterling | 5 - $4\frac{3}{4}$ | $5\frac{3}{16}$ - $5\frac{1}{16}$ | $5\frac{3}{16}$ - $5\frac{1}{16}$ | $5\frac{1}{4}$ - $5\frac{3}{16}$ | $5\frac{7}{16}$ - $5\frac{5}{16}$ | $6\frac{13}{16}$ - $5\frac{3}{4}$ |
| Swiss Franc | $4\frac{1}{8}$ - $3\frac{7}{8}$ | $4\frac{1}{8}$ - $3\frac{7}{8}$ | $4\frac{1}{16}$ - $3\frac{15}{16}$ | $4\frac{1}{16}$ - $3\frac{15}{16}$ | $4\frac{1}{16}$ - $3\frac{15}{16}$ | $4\frac{1}{16}$ - $3\frac{15}{16}$ |
| Can. Dollar | $5\frac{5}{8}$ - $5\frac{3}{8}$ | $5\frac{5}{8}$ - $5\frac{3}{8}$ | $5\frac{13}{16}$ - $5\frac{9}{16}$ | $6\frac{1}{16}$ - $5\frac{13}{16}$ | $6\frac{1}{2}$ - $6\frac{1}{4}$ | $6\frac{15}{16}$ - $6\frac{11}{16}$ |
| US Dollar | $3\frac{3}{4}$ - $3\frac{5}{8}$ | $3\frac{13}{16}$ - $3\frac{11}{16}$ | $3\frac{13}{16}$ - $3\frac{11}{16}$ | $4\frac{1}{4}$ - $4\frac{1}{8}$ | $4\frac{5}{8}$ - $4\frac{1}{2}$ | $5\frac{1}{4}$ - $5\frac{1}{8}$ |
| Italian Lira | 9 - $7\frac{1}{2}$ | 8 - $7\frac{1}{2}$ | 8 - $7\frac{1}{2}$ | 8 - $7\frac{1}{2}$ | 8 - $7\frac{5}{8}$ | 8 - $7\frac{3}{4}$ |
| Yen | $2\frac{5}{16}$ - $2\frac{3}{16}$ | $2\frac{5}{16}$ - $2\frac{3}{16}$ | $2\frac{5}{16}$ - $2\frac{3}{16}$ | $2\frac{3}{8}$ - $2\frac{1}{4}$ | $2\frac{7}{16}$ - $2\frac{5}{16}$ | $2\frac{11}{16}$ - $2\frac{9}{16}$ |
| Asian $Sing | $3\frac{1}{2}$ - $2\frac{1}{2}$ | $3\frac{1}{2}$ - $2\frac{1}{2}$ | $3\frac{1}{2}$ - $2\frac{1}{2}$ | 4 - 3 | 4 - 3 | $4\frac{1}{4}$ - $3\frac{1}{4}$ |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

### THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 95.37 | 95.34 | -0.02 | 95.37 | 95.32 | 101,763 | 442,529 |
| Sep | 94.78 | 94.75 | -0.02 | 94.80 | 94.71 | 182,739 | 391,961 |
| Dec | 94.25 | 94.23 | -0.01 | 94.30 | 94.19 | 176,951 | 357,007 |

### US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 95.80 | 95.80 | -0.01 | 95.82 | 95.79 | 1,891 | 31,709 |
| Sep | 95.28 | 95.27 | -0.03 | 95.32 | 95.26 | 1,513 | 11,268 |
| Dec | - | 94.84 | -0.04 | 94.90 | 94.83 | 187 | 4,932 |

All Open Interest figs. are for previous day

### BANK RETURN

| BANKING DEPARTMENT | Wednesday April 20, 1994 | Increase or decrease for week |
|---|---|---|
| **Liabilities** | £ | £ |
| Capital | 14,553,000 | |
| Public deposits | 1,155,210,147 | -38,102,616 |
| Bankers deposits | [illegible] | [illegible] |
| Reserve and other accounts | [illegible] | [illegible] |
| **Assets** | | |
| Government securities | [illegible] | [illegible] |
| Advance and other accounts | [illegible] | [illegible] |
| Premise, equipment and other secs | [illegible] | [illegible] |
| Notes | [illegible] | [illegible] |
| Coin | [illegible] | [illegible] |
| **ISSUE DEPARTMENT** | | |
| **Liabilities** | | |
| Notes in circulation | [illegible] | [illegible] |
| Notes in Banking Department | [illegible] | [illegible] |
| **Assets** | | |
| Government debt | [illegible] | [illegible] |
| Other Government securities | [illegible] | [illegible] |
| Other Securities | [illegible] | [illegible] |

### LONDON RECENT ISSUES: EQUITIES

[illegible]

### RIGHTS OFFERS

[illegible]

# STOCK EXCHANGES

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY APRIL 22 1994 US Dollar Index | %chg since 31/12/93 | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg from 31/12/93 | Gross Div. Yield | THURSDAY APRIL 21 1994 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (69) | 166.60 | -0.2 | 166.30 | 109.15 | 146.78 | 154.19 | -5.7 | 3.54 | 164.03 | 162.47 | 107.36 | 143.97 | 153.11 | 189.15 | 130.19 | 141.83 |
| Austria (17) | 174.98 | -5.4 | 174.67 | 114.65 | 154.17 | 153.87 | -7.6 | 1.01 | 177.58 | 175.89 | 116.23 | 155.86 | 155.67 | 195.41 | 139.63 | 142.74 |
| Belgium (42) | 167.27 | 2.8 | 166.97 | 109.59 | 147.37 | 143.64 | -0.8 | 3.80 | 165.91 | 164.32 | 108.59 | 145.61 | 142.14 | 171.69 | 141.82 | 151.91 |
| Canada (106) | 126.91 | -6.5 | 126.68 | 83.16 | 111.81 | 126.69 | -2.7 | 2.65 | 126.57 | 125.36 | 82.84 | 111.08 | 126.75 | 145.31 | 121.46 | 123.78 |
| Denmark (32) | 252.79 | 2.3 | 252.33 | 165.62 | 222.71 | 228.58 | 0.1 | 1.04 | 250.73 | 248.34 | 164.11 | 220.06 | 225.81 | 275.79 | 207.58 | 211.77 |
| Finland (22) | 145.92 | 16.4 | 145.66 | 95.61 | 128.56 | 169.20 | 12.3 | 0.89 | 145.26 | 143.88 | 95.08 | 127.49 | 166.85 | 156.72 | 85.54 | 87.64 |
| France (96) | 170.30 | -3.2 | 169.99 | 111.58 | 150.04 | 155.14 | -4.8 | 2.90 | 167.98 | 166.39 | 109.95 | 147.44 | 152.43 | 185.37 | 149.60 | 160.43 |
| Germany (58) | 140.15 | -0.1 | 139.90 | 91.82 | 123.47 | 123.47 | -2.5 | 1.66 | 139.43 | 138.11 | 91.26 | 122.38 | 122.38 | 142.38 | 107.59 | 114.83 |
| Hong Kong (58) | 374.20 | -23.5 | 373.53 | 245.17 | 329.69 | 371.25 | -23.5 | 2.87 | 366.57 | 363.08 | 239.93 | 321.74 | 363.65 | 506.56 | 269.81 | 269.81 |
| Ireland (14) | 187.44 | 1.2 | 187.10 | 122.81 | 165.14 | 162.91 | -1.2 | 3.29 | 188.56 | 186.76 | 123.42 | 165.50 | 163.07 | 209.33 | 155.99 | 163.45 |
| Italy (60) | 91.29 | 33.1 | 91.13 | 59.81 | 80.43 | 110.55 | 28.1 | 1.57 | 89.63 | 88.78 | 58.67 | 78.67 | 108.32 | 93.43 | 57.88 | 65.30 |
| Japan (469) | 155.77 | 19.7 | 155.50 | 102.06 | 137.24 | 102.06 | 11.2 | 0.79 | 155.13 | 153.65 | 101.53 | 136.16 | 101.53 | 165.91 | 124.54 | 136.86 |
| Malaysia (98) | 488.29 | -17.4 | 487.42 | 319.93 | 430.21 | 505.92 | -17.6 | 1.34 | 482.07 | 477.48 | 315.53 | 423.11 | 499.25 | 621.63 | 310.86 | 310.86 |
| Mexico (18) | 1795.10 | -24.8 | 1791.87 | 1176.12 | 1581.53 | 6608.30 | -18.5 | 0.78 | 1696.28 | 1680.11 | 1110.25 | 1488.77 | 6244.33 | 2647.08 | 1431.17 | 1613.74 |
| Netherland (26) | 202.37 | 1.6 | 202.01 | 132.59 | 178.30 | 175.90 | -0.3 | 3.19 | 200.77 | 198.86 | 131.41 | 176.21 | 173.87 | 207.43 | 163.30 | 171.31 |
| New Zealand (14) | 65.58 | -3.4 | 65.46 | 42.97 | 57.78 | 60.79 | -5.7 | 3.91 | 64.56 | 63.95 | 42.26 | 56.67 | 60.45 | 77.59 | 46.43 | 48.67 |
| Norway (23) | 192.90 | 7.4 | 192.56 | 126.39 | 169.95 | 192.49 | 5.0 | 1.72 | 191.87 | 190.05 | 125.59 | 168.40 | 190.78 | 206.42 | 150.61 | 154.69 |
| Singapore (44) | 339.61 | -7.6 | 339.00 | 222.51 | 299.21 | 244.11 | -10.4 | 1.59 | 334.17 | 330.99 | 218.73 | 293.30 | 240.16 | 378.92 | 235.55 | 236.55 |
| South Africa (59) | 243.95 | -8.7 | 243.51 | 159.83 | 214.93 | 258.87 | 3.3 | 2.36 | 240.09 | 237.80 | 157.15 | 210.72 | 258.19 | 280.26 | 172.13 | 172.13 |
| Spain (42) | 139.24 | -0.1 | 138.99 | 91.23 | 122.67 | 145.49 | -3.6 | 4.10 | 136.14 | 134.84 | 89.11 | 119.49 | 141.78 | 155.79 | 116.33 | 131.84 |
| Sweden (36) | 212.77 | 8.3 | 212.39 | 139.41 | 187.46 | 248.53 | 2.6 | 1.58 | 209.82 | 207.82 | 137.33 | 184.16 | 244.88 | 230.02 | 163.85 | 172.09 |
| Switzerland (49) | 158.79 | -0.8 | 158.50 | 104.04 | 139.90 | 141.64 | -4.0 | 1.68 | 158.94 | 157.43 | 104.03 | 139.50 | 141.16 | 176.56 | 119.83 | 120.36 |
| United Kingdom (205) | 191.28 | -6.7 | 190.93 | 125.32 | 168.53 | 190.93 | -7.1 | 3.87 | 191.00 | 189.17 | 125.01 | 167.64 | 189.17 | 214.98 | 170.32 | 180.34 |
| USA (519) | 182.41 | -4.0 | 182.08 | 119.51 | 160.70 | 182.41 | -4.0 | 2.82 | 182.98 | 181.24 | 119.77 | 160.60 | 182.98 | 196.04 | 178.91 | 179.45 |
| EUROPE (724) | 167.84 | -0.4 | 167.53 | 109.96 | 147.87 | 160.22 | -2.9 | 2.89 | 166.61 | 165.22 | 109.18 | 146.40 | 158.44 | 178.58 | 141.58 | 147.01 |
| Nordic (113) | 204.93 | 8.1 | 204.56 | 134.27 | 180.55 | 208.87 | 3.4 | 1.37 | 202.75 | 200.82 | 132.71 | 177.95 | 206.21 | 220.60 | 155.82 | 161.06 |
| Pacific Basin (750) | 164.13 | 13.1 | 163.83 | 107.53 | 144.60 | 112.13 | 6.0 | 1.08 | 163.12 | 161.57 | 106.77 | 143.17 | 111.39 | 168.80 | 134.79 | 141.04 |
| Euro-Pacific (1474) | 165.52 | 6.8 | 165.22 | 108.45 | 145.83 | 130.97 | 2.0 | 1.84 | 164.51 | 162.94 | 107.67 | 144.38 | 129.96 | 170.78 | 141.98 | 143.37 |
| North America (625) | 178.96 | -4.0 | 178.64 | 117.25 | 157.67 | 178.57 | -3.9 | 2.81 | 179.48 | 177.77 | 117.47 | 157.53 | 179.11 | 192.73 | 173.70 | 176.00 |
| Europe Ex. UK (519) | 151.38 | 2.8 | 151.11 | 99.18 | 133.37 | 141.08 | -0.3 | 2.30 | 150.03 | 148.60 | 98.20 | 131.68 | 139.34 | 155.73 | 122.37 | 126.54 |
| Pacific Ex. Japan (281) | 246.17 | -14.2 | 245.73 | 161.29 | 216.89 | 224.76 | -15.8 | 2.65 | 242.08 | 239.73 | 158.42 | 212.43 | 221.55 | 298.21 | 181.48 | 182.29 |
| World Ex. US (1657) | 166.08 | 5.6 | 165.78 | 108.81 | 146.32 | 133.62 | 1.8 | 1.88 | 164.96 | 163.39 | 107.97 | 144.78 | 132.65 | 172.51 | 142.94 | 143.89 |
| World Ex. UK (1971) | 168.49 | 2.8 | 168.19 | 110.39 | 148.44 | 145.03 | 0.3 | 2.06 | 167.91 | 166.31 | 109.90 | 147.37 | 144.44 | 175.56 | 152.41 | 152.41 |
| World Ex. So. Af. (2117) | 170.09 | 2.2 | 169.78 | 111.44 | 149.85 | 148.27 | -0.5 | 2.23 | 169.56 | 167.95 | 110.98 | 148.82 | 147.59 | 178.56 | 154.85 | 154.85 |
| World Ex. Japan (1707) | 180.37 | -3.9 | 180.05 | 118.18 | 158.91 | 175.40 | -4.6 | 2.85 | 179.86 | 178.15 | 117.72 | 157.86 | 175.65 | 195.20 | 165.70 | 166.10 |
| The World Index (2176) | 170.51 | 2.0 | 170.20 | 111.71 | 150.22 | 149.12 | -0.5 | 2.23 | 169.96 | 168.34 | 111.24 | 149.17 | 148.45 | 178.97 | 154.85 | 154.85 |

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Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 128.22 (Local).
Constituent change with effect 25/4/94: Deletion: Ciba Geigy (P.C.) (Switzerland). Constituent changes during the week ending 22/4/94: Deletions: Grumman Corp. (USA) and OFSIL (South Africa).

### STOCK INDICES

| | Apr 22 | Apr 21 | Apr 20 | Apr 19 | Apr 18 | 1994 High | 1994 Low | Since comp. High | Since comp. Low |
|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3133.7 | 3101.2 | 3098.3 | 3128.0 | 3138.2 | 3520.3 | 3086.4 | 3520.3 | 986.9 |
| FT-SE Mid 250 | 3789.5 | 3782.5 | 3782.6 | 3805.9 | 3814.0 | 4152.8 | 3752.9 | 4152.8 | 1379.4 |
| FT-SE Mid 250 ex ITs | 3805.6 | 3801.2 | 3800.3 | 3831.1 | 3830.9 | 4169.7 | 3772.7 | 4169.7 | 1378.3 |
| FT-SE A 350 | 1592.4 | 1579.1 | 1578.0 | 1591.5 | 1596.5 | 1778.3 | 1570.4 | 1778.3 | [illegible] |
| FT-SE SmallCap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE SmallCap ex ITs | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE-A All-Share | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Apr 22 | Apr 21 | Apr 20 | Apr 19 | Apr 18 | 1994 High | 1994 Low | Since comp. High | Since comp. Low |
|---|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1456.24 | 1496.73 | 1444.73 | 1449.50 | 1470.58 | 1549.19 | 1393.60 | 1549.19 | 900.45 |
| FT-SE Eurotrack 200 | 1476.82 | 1456.95 | 1465.17 | 1470.66 | 1492.35 | 1607.16 | 1440.06 | 1607.16 | 938.62 |
| FT Ordinary | 2500.8 | 2470.7 | 2462.7 | 2484.2 | 2486.3 | 2713.6 | 2439.2 | 2713.6 | 49.4 |
| FT Govt Securities | 96.60 | 96.96 | 95.87 | 95.78 | 96.92 | 107.04 | 95.87 | 127.40 | 49.18 |
| FT Fixed Interest | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT Gold Mines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## FT GOLD MINES INDEX

[illegible]

### BASE LENDING RATES

[illegible]



# MONEY MARKET FUNDS

## Money Market Trust Funds

[illegible]

## Money Market Bank Accounts

[illegible]

# LONDON SHARE SERVICE

## BANKS

| | Notes | Price | Wk% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | | [illegible] | -4.5 | [illegible] | ф | Sep May | 1.9 | – |
| ANZ A$ | | [illegible] | 0.4 | [illegible] | 0.7 | Jan Jul | 9.12 | – |
| Abbey National | [illegible] | [illegible] | -0.2 | 14.9 | 2.1 | May Oct | 14.3 | 3411 |
| Allied Irish I£ | [illegible] | 249xd | -2.4 | [illegible] | 2.7 | Oct May | 20.2 | 1354 |
| Anglo Irish I£ | [illegible] | [illegible] | -1.8 | [illegible] | 1.7 | Jan Jul | 29.11 | 1365 |
| Asahi Y | | 710¼ | -3 | [illegible] | 1.3 | Jun Dec | 12'92 | 3049 |
| Banco Bil Viz Pta | | [illegible] | -4.0 | [illegible] | 2.7 | [illegible] | 13.7 | – |
| Banco Sant Pta | | [illegible] | [illegible] | [illegible] | 2.0 | [illegible] | 30.10 | – |
| Bk Ireland I£ | [illegible] | [illegible] | [illegible] | [illegible] | 1.5 | Jul Dec | 15.11 | 1369 |
| Bank Scotland | [illegible] | 199 | -6.3 | 4.67 | 1.9 | Dec Jul | 18.10 | 1742 |
| 9¼pc Pf | | 126½ | -1.4 | 9¼% | – | May Nov | 18.10 | 1482 |
| 9¾pc Pf | | 133¼ | -1.1 | 9¾% | – | May Nov | 18.10 | 1665 |
| Barclays | [illegible] | 516xd | -2.5 | 16.15 | 1.9 | Oct May | 14.3 | 1754 |
| Dai Ichi Kan Y | | [illegible] | -2 | [illegible] | 3.2 | Jun Dec | 27.9 | – |
| Deutsche DM | | [illegible] | 0.3 | [illegible] | – | May | 24.5 | – |
| Espirito Santo | | [illegible] | -6.5 | [illegible] | 5.2 | Jun | 4.8 | 5167 |
| First Nat Fin | [illegible] | 71 | -1.4 | 1.5 | – | Mar | 17.1 | 2571 |
| 6.3pc Cv Pf | | 83 | — | 6.3% | – | Jul Jan | 4.1 | 2570 |
| 7pc Cv Pf | | 149 | — | 7.0 | – | Jul Jan | 4.1 | 1468 |
| Fuji Bank Y | | 1477¼ | -2.5 | [illegible] | 2.3 | Dec Jun | 4.7 | – |
| HSBC HK | [illegible] | 750xd | -6.3 | 23.5 | ф | Nov Jun | 14.3 | 2796 |
| HSBC (75p Shs) | [illegible] | 753xd | -6.1 | 23.5 | ф | Nov Jun | 14.3 | 2776 |
| Lloyds | [illegible] | 597xd | 0.3 | 22.1 | 2.1 | Oct May | 14.2 | 3171 |
| Mitsubishi Y | | [illegible] | -3.9 | [illegible] | 2.3 | Jun Dec | 12'92 | – |
| Mits Tst & Bk Y | | 977½ | -5.2 | [illegible] | 12.4 | Jun Dec | 12'92 | – |
| Mitsui Tst & Bk Y | | 719½ | -5.7 | [illegible] | 6.6 | Jun Dec | 12'92 | – |
| Nat Aust A$ | | 665 | -1.2 | [illegible] | 1.7 | Jul Jan | 9.6 | – |
| NatWest | [illegible] | 442xd | -6.8 | 13.5 | 2.1 | Oct May | 28.2 | 3469 |
| Ottomane FFr | | [illegible] | -4.1 | [illegible] | 2.8 | May | 12.5 | – |
| Ryl Bk Scotland | [illegible] | 388 | -2.5 | 11.0 | 1.9 | Feb Jul | 13.12 | 3874 |
| Sakura Y | | [illegible] | 1.4 | [illegible] | 3.0 | Dec Jun | 12'92 | – |
| Sanwa Y | | [illegible] | -3.3 | [illegible] | 2.7 | Jun Dec | 12'92 | – |

## BREWERIES

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ELECTRONIC & ELECTRICAL EQPT - Cont.

## ENGINEERING

## ENGINEERING, VEHICLES

## ENGINEERING, VEHICLES - Cont.

## EXTRACTIVE INDUSTRIES

## FOOD MANUFACTURERS

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Cont.

## HOUSEHOLD GOODS

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## INVESTMENT TRUSTS - Cont.

| | Notes | Price | W'k % ch'nge | Div net | Dividends paid | Mkt cap£m | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Pac Horizon | ♣□ | 42 | -4.5 | 0.14 | Jan | 17.2 | 14.12 | 5267 |
| Warrants | □ | 7½ | -6.2 | - | - | 0.61 | - | 5266 |
| Pantheon Intl. | ♣⊞ | 183 | -2.1 | 0.5 | Nov | 31.1 | 18.10 | 4967 |
| Warrants | | 76 | -2.6 | - | - | 6.16 | - | 3957 |
| Cv Ln '95/97 | | 61 | -2.4 | - | - | 0.14 | - | 3958 |
| Paribas French | □ | 131xd | -1.5 | 1.0 | May | 38.3 | 14.3 | 3696 |
| Perpetual Japan | □ | 117½ | -.8 | - | - | 70.6 | - | 2761 |
| Warrants | □ | 78 | 3.3 | - | - | 6.79 | - | - |
| Personal Assets | † | 280xd | -6 | 180.0 | Nov May | 13.7 | 11.4 | 3642 |
| Pilot Inv | Z□ | 145 | -.7 | 8.5 | Dec | 72.5 | 29.11 | 1849 |
| Warrants | □ | 99 | 7.3 | - | - | 9.07 | 12.11 | 1852 |
| C | □ | 109 | -.9 | - | - | 16.6 | - | 3704 |
| Primadona | | 273 | 1.1 | 4.5 | Oct Mar | 12.3 | 14.3 | 3721 |
| Ptarmigan Intl | ♣□ | 235 | -1.3 | 0.82 | Apr | 7.05 | 28.2 | 2419 |
| Warrants | | 85 | -1.2 | - | - | 0.61 | - | 2462 |
| RIT Capital | □ | 175 | 0.6 | 1.15 | Jul | 316.7 | 7.6 | 6177 |
| 2½pc Cv Ln 2000 | | £173½ | -.3 | 02½% | Mar Sep | 59.2 | 14.2 | 6178 |
| Radiotrust | □ | 85 | - | - | - | 7.31 | - | 4901 |
| Rights & Iss Inc | | 155 | - | 8.7 | Sep Mar | 3.81 | 28.2 | 3823 |
| Cap | | 475 | 2.2 | 8.18 | Jan Mar | 7.70 | 28.2 | 4985 |
| Riv & Merc Am Inc | | 112xd | - | 7.8 | MyAuNvFe | 8.40 | 28.3 | 4983 |
| Cap | □ | 34 | -1.4 | - | - | 12.8 | - | 4982 |
| Warrants | | 14 | - | - | - | 1.06 | - | 4984 |
| Riv & Mer Ext | N□ | 133 | -1.5 | 7.88 | DeMrJuSe | 48.4 | 31.1 | 5322 |
| Warrants | | 35 | -5.4 | - | - | 2.10 | - | 5331 |
| Zero Div Pf | | 112½ | -.4 | - | - | 11.2 | - | 2543 |
| Riv & Mer Geared | | 182 | 2.0 | 7.83 | SeDeMrJe | 14.3 | 28.2 | 3834 |
| Prtd Cap 1999 | | 26½ | -1.9 | - | - | 9.26 | - | 3833 |
| Riv & Merc Smlr | N□ | 145 | -2.0 | 4.8 | Mar Oct | 38.4 | 28.2 | 2060 |
| Warrants | | 53 | -1.9 | - | - | 2.69 | - | 3417 |
| Riv & Merc Tst Inc | N□ | 119 | 0.8 | 9.2 | JaDeJeAp | 23.9 | 28.2 | 3828 |
| Cap | □ | 130 | -.8 | - | - | 82.3 | - | 3827 |

[illegible]

## OTHER INVESTMENT TRUSTS

[illegible]

## INVESTMENT COMPANIES

[illegible]

## LEISURE & HOTELS

[illegible]

## LEISURE & HOTELS - Cont.

[illegible]

## LIFE ASSURANCE

[illegible]

## MEDIA

[illegible]

## MERCHANT BANKS

[illegible]

## OIL EXPLORATION & PRODUCTION

[illegible]

## OIL, INTEGRATED

[illegible]

## OTHER FINANCIAL

[illegible]

## OTHER SERVICES & BUSINESSES

[illegible]

## PHARMACEUTICALS

[illegible]

## PRINTING, PAPER & PACKAGING

[illegible]

## PROPERTY

[illegible]

## PROPERTY - Cont.

[illegible]

## RETAILERS, FOOD

[illegible]

## RETAILERS, GENERAL

[illegible]

## SPIRITS, WINES & CIDERS

[illegible]

## SUPPORT SERVICES

[illegible]

## TELECOMMUNICATIONS

[illegible]

## TEXTILES & APPAREL

[illegible]

## TOBACCO

[illegible]

## TRANSPORT

[illegible]

## TRANSPORT - Cont.

[illegible]

## WATER

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

| | Notes | Price | W'k% ch'nge | Div gross | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|
| Trans Can Pipe | ♥ | 8⅞ | 1.8 | 84c | JaApJyOc | 1.12 | - |

## SOUTH AFRICANS

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £22¼ | - | Q375c | 1.9 | Oct Apr | 3'93 | - |
| Barlow | | £4⅞ | 18.3 | Q173c | 1.7 | Jan Jul | 13.12 | - |
| Gold Flds Prop R | | 86 | 13.2 | Q59c | 1.2 | - | 31.1 | - |
| NK Props | s | 87 | -3.3 | 844.7c | 0.3 | Feb Oct | 19.10 | - |
| SASOL | ♥ | 321 | 14.6 | Q78c | - | Oct | 23.8 | 3919 |
| SA Brews | | £12¼ | 18.3 | Q139c | 2.2 | Dec Jan | 13.12 | - |
| Tiger Oats | | 683 | 17.8 | Q82c | 2.9 | Jan Feb | 29.11 | - |
| Tongaat-Hulett | † | 654 | 12.6 | Q75c | 2.4 | Feb Aug | 4.1 | - |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on BMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

## FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Inspec (Chems), Coal Inv Wrts (Extrv Inds), Robert Wiseman (Food Man), Baronsmead Ord & Wts, F & C Inc Gwth, F & C Priv Eqty, Morgan G'fell Ltn Am Ord & Wts, NM Smlr Aust C, Schroder UK Gwth Ord & Wts (Inv Tsts), Dominion Energy (Oil Intr), Waste Rcylg (Oth Serv & Bus), Newport and Rugby Ests (Prop), MAID and Unipalm (Supp Servs) and Applied Distrbn and Trafficmaster (Trans). Deletions: Freeman (Bld Mtl) and Westralian Res (Extrv Inds).

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*4 pm close April 22*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1994 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 17 3/8 | 14 1/8 | AAR | 0.48 | 3.0 | 529 | 54 | 15 7/8 | 15 1/4 | 15 7/8 | +1/8 |
| 16 7/8 | 13 7/8 | A L Labs A | 0.18 | 1.3 | 32 | 227 | 13 7/8 | d13 3/8 | 13 7/8 | +1/4 |
| 65 1/2 | 57 7/8 | AMP | 1.68 | 2.8 | 21 | 2174 | 60 3/8 | 59 1/4 | 59 3/4 | +7/8 |
| 72 3/4 | 52 1/8 | AMR | | | 27 | 4416 | 57 1/4 | 56 3/8 | 57 | +1/2 |
| 5 | 3 7/8 | ARX | | | 14 | 142 | 4 3/8 | 4 1/8 | 4 1/4 | +1/8 |
| 56 1/8 | 38 5/8 | ASA | 2.00 | 5.0 | 28 | 587 | 39 7/8 | 39 | 39 3/4 | |
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| 18 3/8 | 16 1/2 | Adams Expr | 0.48 | 2.8 | 0 | 142 | 17 | 16 7/8 | 17 | |
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| 6 7/8 | 5 5/8 | Advest Grp | 0.16 | 3.0 | 8 | 118 | 5 1/2 | d5 3/8 | 5 3/8 | -1/8 |
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| 95 | 86 | BankAm B | 6.00 | 6.8 | | 5 | 88 | 87 | 88 | +1/4 |
| 84 5/8 | 67 1/2 | BnkTst | 3.60 | 5.2 | 5 | 3737 | 69 | 68 | 68 5/8 | -1/2 |
| 38 1/4 | 30 | Bclays | 1.29 | 4.1 | 92 | 12 | 31 1/2 | 31 1/4 | 31 1/2 | +1/2 |
| 30 1/2 | 22 3/8 | Bard (C R) | 0.56 | 2.4 | 19 | 2333 | 23 3/4 | 23 1/4 | 23 3/4 | +7/8 |
| 33 3/4 | 29 1/2 | Barnes Grp | 1.40 | 4.2 | 47 | 12 | u33 1/2 | 33 1/4 | 33 1/2 | +1/4 |
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| 53 7/8 | 42 3/8 | Bausch | 0.98 | 2.2 | 17 | 3084 | 44 3/4 | 44 | 44 1/4 | -1/2 |
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| 28 3/8 | 23 5/8 | Bay St Gas | 1.42 | 5.5 | 15 | 48 | 25 5/8 | 25 1/8 | 25 5/8 | +1/4 |
| 22 1/2 | 19 1/8 | Bd Tr 1838 x | 1.72 | 8.5 | | 25 | 20 1/4 | 19 7/8 | 20 1/4 | +3/8 |
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4 pm close April 22

# NYSE COMPOSITE PRICES

Continued from previous page

# NASDAQ NATIONAL MARKET

4 pm close April 22

# AMEX COMPOSITE PRICES

4 pm close April 22

# FT GUIDE TO THE WEEK

## 25 MONDAY

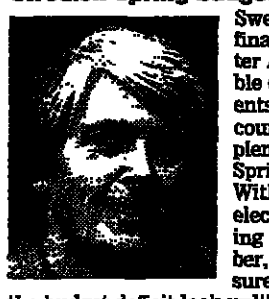
### Hata to take over in Japan

Tsutomu Hata, who has been foreign minister in Japan's ruling coalition, is expected to be confirmed by parliamentary vote as the country's prime minister. One of his first tasks will be to get a budget for the current year through parliament. He also aims to issue details of a demand-boosting permanent reduction in income tax, to be paid for by a rise in indirect taxes.

**Schneider affair:** Georg Krupp and Ulrich Weiss, the two Deutsche Bank directors most closely associated with the dud loans extended to the bankrupt Schneider property group, tell the press their side of the story this morning.

Their irascible chairman, Hilmar Kopper, who last week as good as said heads will roll, will be on hand to keep order. The only significant person not present (apart from the fugitive Jürgen Schneider himself) will be credit supervision *supremo*, Ellen Schneider-Lenné, recently described by Kopper as "the best man on the board".

**Swedish Spring budget:**



Sweden's finance minister Anne Wibble (left) presents the country's supplementary Spring budget. With a general election looming in September, tough measures to cut the budget deficit look unlikely, but an improving economy may allow her to speed up the savings programme she has already outlined.

**Anglo-Irish talks:** British and Irish ministers meet in Belfast for the latest session of the Anglo-Irish inter-governmental conference. It will be the first opportunity since the IRA 3-day ceasefire earlier this month for the two governments to review the peace process and to exchange ideas on the formula for political progress in Ulster.

**Mad cows and Englishmen:** European Union farm ministers meeting in Luxembourg today and tomorrow, will consider a German request to ban imports of cattle, beef and veal from Britain because of the incidence of BSE (mad cow disease) there.

**Italy** celebrates Liberation Day, the defeat of Nazi forces and the end of the Mussolini era in 1945. A big anti-fascist demonstration has been called in Milan. It is intended to remind the prospective right-wing Berlusconi government of the origins of its partner, the MSI/National Alliance, and to warn against rewriting history to make fascism respectable.

**Holidays:** Australia and New Zealand (Anzac Day); Egypt (Sinai Liberation Day); Italy (Liberation Day); Portugal (Freedom Day).

## 26 TUESDAY

### South Africans begin voting

Polling begins in South Africa's first all-race election. Following last week's decision to take part by chief Mangosuthu Buthelezi, leader of the Zulu-based Inkatha party, it will be an all-party election too. A landslide win for the African National Congress is expected, making its leader, Nelson Mandela, South Africa's president.

**Italian government:** President Oscar Luigi Scalfaro is expected to ask media magnate turned politician Silvio Berlusconi to form Italy's next government today. But between selecting his ministers and obtaining the necessary vote of confidence from both houses of parliament, at least a further week is expected to lapse.

**Alexandre Lamfalussy,** head of the European Monetary Institute, the prototype European Union central bank, gives testimony to the European parliament. He is likely to talk about the planned move of the Institute to Frankfurt later this year and closer monetary co-ordination between EU central banks.

**Schengen treaty:** Representatives of the nine signatories to the Schengen treaty hold talks in Bonn aimed at bringing closer the implementation of the decade-old plan to remove all border controls among them. However, Charles Pasqua, the French interior minister, has upset the applecart with recent comments that French border controls should be tighter.

**German economy:** Germany's six leading economic institutes present their joint report, the most comprehensive twice-yearly independent diagnosis of the economy.

**Lloyd's action:** The largest legal action by loss-making Lloyd's Names – individuals whose assets support the insurance market – begins today. Some 3,095 Names, who were members of syndicates managed by the Gooda Walker agency, are suing 71 of their own members' agents in a bid to win £629m in compensation.

**Trade arena:** Helsinki hosts a two-day meeting of the joint parliamentary committee of the European Economic Area, the free trade zone comprising the European Union and the European Free Trade Area countries. They will be reviewing progress towards a unified market in such areas as competition policy and non-tariff trade barriers. Four of the Efta countries, however, are due to join the EU on January 1 1995.

**Drachma drama:** The Greek parliament is due to vote on ratifying a tax bill which cracks down on evasion among 1,300 categories of self-employed professionals and for the first time taxes interest from repurchase agreements and mutual funds.

Unsurprisingly, the bill is not popular, and doctors, lawyers and dentists have been on strike in protest.

## 27 WEDNESDAY

### Anglo-German summit

German chancellor Helmut Kohl holds one-day talks with UK prime minister John Major at Chequers, the latter's country retreat, as part of regular twice-yearly summits. The two countries' foreign, finance, interior, economics, and defence ministers also meet.

On the agenda are: how Poland, Hungary, the Czech Republic and Slovakia can be brought closer to the European Union, a priority for Germany when it takes over the Union presidency in July; Nato's Partnership for Peace programme; and preparations for the G7 Naples summit in July.

Another topic to be broached is possible successors to Jacques Delors (left) as president of the European Commission. Mr Kohl reportedly leans towards Jean-Luc Dehaene, prime minister of Belgium. Mr Major supports Sir Leon Brittan, with Ruud Lubbers, Dutch premier, as second choice.

**Bosnia's Moslem president,** Alia Izetbegovic, hopes to visit Romania for talks with President Ion Iliescu – if the situation at home permits (to Apr 28). Romania, which has a long border with Serbia and good relations with most Balkan countries, is taking a leading role in seeking a diplomatic solution to the conflict and stopping it spilling into other Balkan countries.

In recent weeks, President Iliescu has received Serbia's president, Slobodan Milosevic, Croatia's president, Franjo Tudjman, and Turkey's president, Suleyman Demirel, and paid a visit to Greece.

**UK pension provision:** Peter Lilley, Britain's social security secretary, will be questioned by the Commons social security committee about advice given to people contracting out of the state earnings related pensions scheme to buy personal pensions.

The cross-party committee will focus on government statistics which suggest many personal pension sales were to those who could not benefit from tax incentives and might be worse off as a result.

**UK financial regulation:** Joe Palmer and Colette Bowe, the chairman and the chief executive of the Personal Investment Authority, which is due to open shop in July, appear for a second time before the cross-party committee of MPs examining financial regulation. The two gave evidence last month, but faced scepticism from MPs about the plans for the watchdog.

**Football:** European Cup semi-finals between Barcelona (of Spain) and FC Porto (of Portugal), and AC Milan (of Italy) and Monaco.

## 28 THURSDAY

### Yeltsin looks to parliament

Russia's "civil accord", proposed by President Boris Yeltsin, is supposed to be signed by parties in Russia's parliament today. The pact is intended as a charter for co-operation between president and legislature, so as to enable the country to be governed more effectively.

However, opposition parties are dismissive of the idea, raising the question of how far cohabitation is possible in a political culture that lacks a tradition of compromise.

**Chinese Wall Street:** Arthur Levitt, chairman of the US Securities and Exchange Commission, will sign a "memorandum of understanding" with his Chinese counterparts today in the latest step aimed at making it easier for foreign companies to list their shares on US stock markets.

Ultimately, the agreement should lead to Chinese companies providing US regulators with the kind of detailed financial information they demand from companies selling their shares to the public.

**Phones on the move:** The UK gets its fourth mobile telephone network with the launch of the "Orange" service by Hutchison Microtel, telecommunications subsidiary of Hong Kong-based Hutchison Whampoa. It says 50 per cent of the UK population will be covered at the launch, extending to 90 per cent by mid-1995.

Orange, like Mercury's One-2-One, uses digital technology, making additional services possible. Unlike One-2-One, however, Orange will not be offering the incentive of free local calls.

**Crédit Lyonnais:**

CL

The French parliament is to discuss proposals to mount an official investigation into the financial problems of Crédit Lyonnais, the troubled state-controlled bank, which was bailed out by a FFr44.9bn ($7.7bn) government rescue last month.

The debate will decide whether to endorse plans to form a 12-strong cross-party committee, led by the outspoken Philippe Séguin, which will then stage a six-month inquiry into the management of Crédit Lyonnais.

**Saleroom:** The 3,000-volume library and archives of the author Graham Greene, who died in 1991, are to be offered for sale by Bloomsbury Book Auctions in London. One of the main interests of the collection is the many annotations in Greene's hand that the books contain, along with numerous letters to the author.

**Horse racing:** The 1000 Guineas, first of the English flat-racing season's five "classics", for three-year-old fillies, is run over a mile at Newmarket.

Another week begins for Radovan Karadzic, leader of the Bosnian Serbs

## 29 FRIDAY

### Rowdy AGM for Swiss bank

Union Bank of Switzerland, the country's largest bank, faces a rowdy annual meeting in Zürich. BK Vision, an investment fund with nearly 10 per cent of the shares, has put a motion on the agenda to force the bank to cut the maximum number of its board members from 23 to nine. BK says that no committee with more than 10 members can be decisive.

UBS directors are also likely to be questioned closely on how they got caught two weeks ago holding $150m for a suspected Colombian drug dealer.

**No Golf Year** has been declared by an organisation called the Global Anti-Golf Movement, starting today. The group's aim is to draw attention to the environmental problems caused by "frenzied proliferation of resorts and golf courses around the world". These include loss of forests and farmland, soil contamination, landslides and depletion of water resources.

**Holidays:** Japan (Greenery Day), Golden Week holiday starts; Cyprus, Greece and Lebanon celebrate orthodox Good Friday; Denmark (General Prayer Day).

## 30-1 WEEKEND

### Miners' redundancy offer

Saturday is the deadline for staff to accept British Coal's redundancy package, which offers a maximum of £44,000. A less generous scheme will be on offer from May.

**Song for Europe:** The 39th Eurovision Song Contest which takes place in the Point Theatre, Dublin on Saturday night.

**Horse racing:** The 2000 Guineas, the second of the flat-racing season's five "classics", for three-year-old colts and fillies, is run over a mile at Newmarket on Saturday.

**Motor racing:** The San Marino Grand Prix takes place in Imola, Italy, on Sunday.

### NEXT WEEK

There is hope that the delayed agreement between Israel and the Palestinian Liberation Organisation on Palestinian self-rule in the occupied Gaza Strip and Jericho area of the West Bank may at last be signed at a summit meeting in Cairo.

*Compiled by Patrick Stiles.*
*Fax: (+44) (0)71 873 3194.*

## ECONOMIC DIARY

### Other economic news

Monday: Figures for the UK's gross domestic product in the first quarter of 1994 are expected to show that the recovery is still on track. The consensus is for quarter-on-quarter growth of 0.7 per cent, in line with the last quarter of 1993. The government's forecast of full year growth is 2.5 per cent.

Non-European Union figures for UK trade are published for March, only 11 days after the January figures for EU trade were produced. The non-EU figures, apart from being gathered more quickly, are regarded as being more reliable than the EU data. The consensus forecast for March's deficit is £750m.

Tuesday: The Confederation of British Industry's quarterly trends survey has a good record of predicting developments in the UK economy. The last survey was upbeat, and this report will be closely watched for any signs that the tax increases are weakening the recovery.

Friday: French unemployment was 3.3m in February and the markets are not expecting a fall in March, with the consensus forecast for the percentage out of work at 12.2 per cent, the same as in the previous month.

### Statistics to be released this week

| Day Released | Country | Economic Statistic | Median Forecast | Previous Actual |
|---|---|---|---|---|
| Mon | US | Mar existing home sales | – | 3.83m |
| April 25 | UK | Mar trade excl-EC | -£750m | -£672m |
| | UK | 1st qtr GDP, prelim*** | 0.7% | 0.7% |
| | UK | 1st qtr GDP, prelim** | 2.6% | 2.4% |
| Tues | US | 1st qtr employment cost index** | 0.9% | 0.8% |
| April 26 | US | April consumer confidence | – | 86.7 |
| | US | Johnson Redbook, w/e April 23 | – | -1.1% |
| | Japan | Feb coincident index | – | 85% |
| | Japan | Feb leading diffusion index | – | 60% |
| Wed | US | Mar durable goods orders | 1% | -2.6% |
| April 27 | US | Mar durable shipments | – | 1% |
| | Japan | Mar retail sales** | -2.8% | -2.8% |
| | Japan | Mar indust production seas/adj | 3.5% | -0.1% |
| | Japan | Mar shipments seas/adj | – | 1.1% |
| | Canada | Mar indust prod – price index | 0.4% | 0.9% |
| Thurs | US | 1st qtr GDP – advance | 3.3% | 7% |
| April 28 | US | Ditto, deflector advance | 2.4% | 1.3% |
| | US | 4th qtr after tax corp profit | – | 8.4% |
| | US | Initial claims w/e April 23 | 350,000 | 364,000 |
| | US | State benefits w/e April 16 | – | 2.76m |
| | US | Mar export price index | – | unch'ged |
| | US | Mar import price index | – | 0.4% |
| | US | M1 w/e April 18 | -$3.6bn | -$4.6bn |
| | US | M2 w/e April 18 | -$6bn | $12.5bn |
| | US | M3 w/e April 18 | -$0.8bn | $7.6bn |
| Thur | Japan | April consumer prices index** | 1.2% | 1.1% |
| April 28 | Japan | Ditto excl perishables** | 0.8% | 0.9% |
| (Cont) | Japan | Mar unemployment rate | – | 2.9% |
| | Japan | Mar construction orders** | – | -9.3% |
| | Japan | Mar housing starts** | 4.4% | 6.3% |
| | Japan | Apr w'sale price indx, 2nd 10days | – | -0.2% |
| Fri | US | Mar new home sales | 700,000 | 649,000 |
| April 29 | US | Mar personal income | 0.7% | 1.3% |
| | US | Mar personal consumer expend | 0.5% | 1% |
| | France | Mar unemployment rate | 12.2% | 12.2% |
| During this week... | | | | |
| | Germany | Mar M3 from 4th qtr base | 14% | 17.5% |
| | Germany | Mar producer prices index* | 0.1% | 0.1% |
| | Germany | Mar producer prices index** | 0.3% | 0.2% |
| | Germany | Feb trade balance | DM6.7bn | DM5.9bn |
| | Germany | Feb current a/c | -DM2.5bn | -DM5.7bn |
| | Germany | Feb capital account | – | DM29.6bn |
| | Germany | Mar import prices* | 0.0% | 0.1% |
| | Germany | Mar import prices** | -0.3% | -0.4% |
| | Germany | April cost of living, prelim** | 3% | 3.2% |
| | Italy | Feb producer prices index** | 3.4% | 3.5% |
| | Italy | Mar M2 – three month average** | 7.2% | 7.1% |
| | Spain | Feb trade balance | -PTA130bn | -PTA90bn |

*month on month, **year on year, ***quarter on quarter. *Statistics, courtesy MMS International.*

## MONDAY PRIZE CROSSWORD

No.8,437 Set by GRIFFIN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday May 5, marked Monday Crossword 8,437 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 9.

Name.......................................

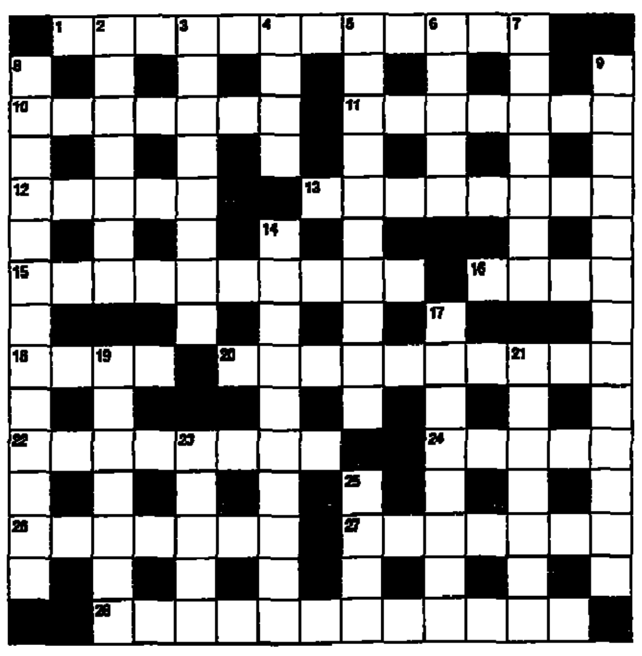
Address.......................................

**ACROSS**

1 Can use rank to upset, being perverse (12)
10 As at home tear back inside for a painkiller (7)
11 Prison thanks volunteers for piece of music (7)
12 Starts talking a language free of superfluous words (5)
13 Something which drops out of locks (8)
15 Educated old boy's first to strike out (10)
16 When to live outside headquarters (4)
18 Against religion at one time (4)
20 Plant trap and run inside (10)
22 Simmered, stirred and dipped (8)
24 Move rose but not round by a shrub (5)
26 Amazed journalist leaves son dispersing aggressive females (7)
27 Dog that is left under bridge (7)
28 As it's improved works OK (12)

**DOWN**

2 Appear to change many garments (7)
3 Distresses Mr Ball, standing surrounded by camping equipment (8)
4 One over the eight (4)
5 Delightful etching Ann reproduced (10)
6 Had ring and got married around noon (5)
7 Capone knocks up union leader during search for food mixer (7)
8 Concerned with gourmets of little weight getting very big! (13)
9 Tell her Fay had danced unenthusiastically (13)
14 Ordered ladies to be earlier with letters, say (10)
17 Dull old lady enters, glaring (8)
19 Limits officer getting married to a free ticket (7)
21 Brave and skilled fighting man (7)
23 The rest of the layers? (5)
25 In an atlas I always look for a continent (4)



**Winners 8,425**

Mrs G.L. Smith, Parkhead, Sheffield
Mrs R.M. Bradfield, Malton, North Yorkshire
Mrs Evelyn Grant, Bearsden, Glasgow
L. Lamb, Rugby, Warwickshire
A.L. Marten, Middleton, Norfolk
B. Sharpe, Aspley Guise, Bedfordshire

**Solution 8,425**